



BOROUGH OF WAYNESBURG
GREENE COUNTY
30-406

LIQUID FUELS TAX FUND
EXAMINATION REPORT

FOR THE TWO YEARS ENDED
DECEMBER 31, 2007

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BOROUGH OF WAYNESBURG
GREENE COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE TWO YEARS ENDED
DECEMBER 31, 2007

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.



Independent Auditor's Report

The Honorable Allen D. Biehler, 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 Borough of Waynesburg, Greene County, for the two years ended December 31, 2007. 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 Waynesburg, Greene County's Forms MS-965 for the two years ended December 31, 2007 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:

- During 2006 the borough expended \$18,329.00 for storm sewer renovations, \$21,916.02 for paving in excess of one inch, and \$4,550.00 for new guide rails without advertising for bids. Additionally, during 2007 the borough expended \$26,935.57 for storm sewer renovations. However, the municipality did not file applications with the Department of Transportation for these projects and also failed to submit specifications for approval (see Finding No. 1).
- During 2006 the borough expended \$17,600.00 for storm sewer renovations and \$21,916.02 for a paving project without advertising for bids. Additionally, during 2007 the borough expended \$16,950.00 for storm sewer renovations without advertising for bids (see Finding No. 2).
- During 2006 the borough expended \$5,353.75 for a snow plow and parts, \$9,700.00 for paving, \$6,484.52 for stone, and \$5,731.50 for a tar kettle with supplies from its Liquid Fuels Tax Fund. Additionally, during 2007 the borough expended \$4,550.00 for guide rails and \$7,592.57 for storm sewer supplies from its Liquid Fuels Tax Fund. However, the borough did not maintain documentation for price quotations for these purchases (see Finding No. 3).

In our opinion, except for the matters discussed in the preceding paragraphs, 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 Waynesburg, Greene County, for the two years ended December 31, 2007, 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 Borough of Waynesburg, Greene 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 Waynesburg, Greene County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Borough of Waynesburg, Greene 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 Waynesburg, Greene County's internal control.

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*:

- Failure To Obtain Project Approval.
- Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements.
- Documentation For Price Quotations Was Not Available For Examination.

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 Borough of Waynesburg, Greene County, and is not intended to be and should not be used by anyone other than these specified parties.

April 24, 2009

JACK WAGNER
Auditor General

BOROUGH OF WAYNESBURG
 GREENE COUNTY
 LIQUID FUELS TAX FUND
 2006 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	\$ 11,018.40	\$ -	\$ 11,018.40
Minor equipment purchases	11,298.75	-	11,298.75
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	3,453.08	-	3,453.08
Street lighting	-	-	-
Storm sewers and drains	17,600.00	-	17,600.00
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	24,243.58	241.50	24,485.08
Highway construction and rebuilding projects	-	-	-
Miscellaneous	241.50	(241.50)	-
	<u>241.50</u>	<u>(241.50)</u>	<u>-</u>
Total (To Section 2, Line 5)	<u>\$ 67,855.31</u>	<u>\$ -</u>	<u>\$ 67,855.31</u>

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

BOROUGH OF WAYNESBURG
 GREENE COUNTY
 LIQUID FUELS TAX FUND
 2006 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, 2006	\$ 60,593.36	\$ (8,578.82)	\$ 52,014.54
Receipts:			
2. State allocation	81,633.26	-	81,633.26
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	990.96	69.09	1,060.05
2c. Miscellaneous	-	-	-
3. Total receipts	<u>82,624.22</u>	<u>69.09</u>	<u>82,693.31</u>
4. Total funds available	<u>143,217.58</u>	<u>(8,509.73)</u>	<u>134,707.85</u>
5. Expenditures (Section 1)	67,855.31	-	67,855.31
Mathematical error	<u>(7,506.96)</u>	<u>7,506.96</u>	<u>-</u>
6. Balance, December 31, 2006	<u>\$ 67,855.31</u>	<u>\$ (1,002.77)</u>	<u>\$ 66,852.54</u>

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

BOROUGH OF WAYNESBURG
 GREENE COUNTY
 LIQUID FUELS TAX FUND
 2006 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	\$ 23,541.44	\$ (8,634.02)	\$ 14,907.42
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	16,326.65	-	16,326.65
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	39,868.09	(8,634.02)	31,234.07
5. Less: Major equipment expenditures	11,018.40	-	11,018.40
6. Remainder	<u>28,849.69</u>	<u>(8,634.02)</u>	<u>20,215.67</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 28,849.69</u>	<u>\$ (8,634.02)</u>	<u>\$ 20,215.67</u>

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

BOROUGH OF WAYNESBURG
 GREENE COUNTY
 LIQUID FUELS TAX FUND
 2007 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 11,018.40	\$ -	\$ 11,018.40
Minor equipment purchases	17,943.66	-	17,943.66
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	20,976.99	-	20,976.99
Traffic control devices	11,505.70	-	11,505.70
Street lighting	-	-	-
Storm sewers and drains	32,336.31	-	32,336.31
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	8,645.87	-	8,645.87
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 102,426.93</u>	 <u>\$ -</u>	 <u>\$ 102,426.93</u>

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

BOROUGH OF WAYNESBURG
 GREENE COUNTY
 LIQUID FUELS TAX FUND
 2007 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, 2007	\$ 67,855.31	\$ (1,002.77)	\$ 66,852.54
Receipts:			
2. State allocation	84,603.08	-	84,603.08
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	813.03	125.03	938.06
2c. Miscellaneous	-	-	-
3. Total receipts	<u>85,416.11</u>	<u>125.03</u>	<u>85,541.14</u>
4. Total funds available	<u>153,271.42</u>	<u>(877.74)</u>	<u>152,393.68</u>
5. Expenditures (Section 1)	<u>102,426.93</u>	<u>-</u>	<u>102,426.93</u>
6. Balance, December 31, 2007	<u><u>\$ 50,844.49</u></u>	<u><u>\$ (877.74)</u></u>	<u><u>\$ 49,966.75</u></u>

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

BOROUGH OF WAYNESBURG
 GREENE COUNTY
 LIQUID FUELS TAX FUND
 2007 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	\$ 28,849.70	\$ (8,634.03)	\$ 20,215.67
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	17,083.23	(162.61)	16,920.62
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	45,932.93	(8,796.64)	37,136.29
5. Less: Major equipment expenditures	11,018.40	-	11,018.40
6. Remainder	<u>34,914.53</u>	<u>(8,796.64)</u>	<u>26,117.89</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 34,914.53</u>	<u>\$ (8,796.64)</u>	<u>\$ 26,117.89</u>

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

BOROUGH OF WAYNESBURG
GREENE COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2007

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 WAYNESBURG
GREENE COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2007

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 WAYNESBURG
GREENE COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2007

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 loan's or savings bank's assets minus liabilities.

Deposits consist of receipts and deposits in a financial institution. 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, 2007. 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 WAYNESBURG
GREENE COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2007

2. Deposits (Continued)

Fund Balance

The fund balance as of December 31, 2007 consists of the following:

Cash	<u>\$49,966.75</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 \$1,060.05 during 2006, and \$938.06 during 2007, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2006 - Section 1

Adjustments were made to "Maintenance and repair of roads and bridges" and "Miscellaneous" because expenditures of \$241.50 were misclassified.

2006 - Section 2

An adjustment of \$(8,578.82) was made to "Balance, January 1, 2006" because of prior report adjustments that were not carried forward in the fund balance.

An adjustment of \$69.09 was made to "Interest on investments" because interest earnings were understated.

2006 - Section 3

An adjustment of \$(8,634.02) was made to "Prior year equipment balance" because adjustments made in the prior report were not carried forward in the equipment balance.

BOROUGH OF WAYNESBURG
GREENE COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2007

4. Adjustments (Continued)

2007 - Section 2

An adjustment of \$(1,002.77) was made to “Balance, January 1, 2007” because an incorrect fund balance was reported.

An adjustment of \$125.03 was made to “Interest on investments” because interest earnings were understated.

2007 - Section 3

An adjustment of \$(8,634.03) was made to “Prior year equipment balance” because an incorrect equipment balance was carried forward.

An adjustment of \$(162.61) was made to “Current year equipment allocation” because of a calculation error.

5. Bank Loan

On June 14, 2005, the borough borrowed \$49,453.00 from National City Bank to purchase a 2005 wheel loader. The term of the loan was for five years at an interest rate of 4.27 percent. Principal and interest payments of \$918.20 are due monthly. Prior years’ principal and interest payments from the Liquid Fuels Tax Fund were \$4,493.18 and \$1,016.02, respectively.

During the current examination period the municipality paid principal of \$18,961.69 and interest of \$3,075.11 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2006 and 2007 Forms MS-965 – Section 1. The outstanding balance of the loan as of December 31, 2007 was \$25,998.13, plus interest.



BOROUGH OF WAYNESBURG
 GREENE COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE TWO YEARS ENDED
 DECEMBER 31, 2007

Finding No. 1 - Failure To Obtain Project Approval

Our examination disclosed that during 2006 the borough expended \$18,329.00 for storm sewer renovations, \$21,916.02 for paving in excess of one inch, and \$4,550.00 for new guide rails. Additionally, during 2007 the borough expended \$26,935.57 from its Liquid Fuels Tax Fund for storm sewer renovations. The borough was required to obtain the approval of the Department of Transportation before this work was done. However, the borough did not file applications with the Department of Transportation for the projects and also failed to submit specifications for approval. These expenditures were as follows:

<u>2006</u>			
Storm sewer renovations	\$18,329.00		
Paving in excess of one inch	21,916.02		
New guide rails	<u>4,550.00</u>		
2006 Total			\$44,795.02
 <u>2007</u>			
Storm sewer renovations	<u>\$26,935.57</u>	<u>26,935.57</u>	
Two Year Total			<u>\$71,730.59</u>

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

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

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

Bituminous Surface:

One inch thickness or greater.

BOROUGH OF WAYNESBURG
GREENE COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2007

Finding No. 1 - Failure To Obtain Project Approval (Continued)

Guide Rail, Storm Sewer Pipe, etc.:

New guide rail, pipe and replacement of existing items with a better or larger type.

The failure to comply with the Department of Transportation's *Publication 9* could result in the borough having to reimburse \$71,730.59 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the borough reimburse \$71,730.59 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that before the borough spends money on projects, it applies for and obtains prior approval of the projects, and when the projects are completed it obtains approval of the completed work.

Management's Response

The borough officials offered no formal response at this time.

BOROUGH OF WAYNESBURG
 GREENE COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE TWO YEARS ENDED
 DECEMBER 31, 2007

Finding No. 2 - Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements

Our examination disclosed that during 2006 the borough expended \$18,329.00 for storm sewer renovations of which \$17,600.00 was for purchases that should have been advertised and bid. The borough also expended \$21,916.02 for a paving project without advertising for bids. Additionally, during 2007 \$16,950.00 of the \$26,935.57 expended for storm sewer renovations was for purchases that should have been advertised for bids. These expenditures were as follows:

2006 Storm Sewer Renovations:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>
None	12/26/05	643	01/25/06	\$ 3,900.00
None	12/26/05	644	01/25/06	2,400.00
None	12/26/05	645	01/25/06	3,800.00
None	12/26/05	646	01/25/06	1,200.00
None	02/20/06	651	03/01/06	3,900.00
None	06/06/06	664	07/05/06	<u>2,400.00</u>
Total				<u>\$17,600.00</u>

2006 Paving Project:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>
None	10/09/06	672	10/19/06	\$ 9,700.00
24579	09/28/06	673	10/23/06	3,181.75
24620	09/28/06	673	10/23/06	1,322.02
24629	09/30/06	673	10/23/06	707.82
617206HE	10/20/06	674	10/27/06	1,235.00
617171DE	10/20/06	674	10/27/06	4,316.50
617050HE	10/19/06	674	10/27/06	180.00
24703	10/06/06	675	11/14/06	<u>1,272.93</u>
Total				<u>\$21,916.02</u>

BOROUGH OF WAYNESBURG
 GREENE COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE TWO YEARS ENDED
 DECEMBER 31, 2007

Finding No. 2 - Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements (Continued)

2007 Storm Sewer Renovations:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>
None	05/03/07	709	05/09/07	\$ 1,900.00
None	05/03/07	709	05/09/07	3,850.00
None	07/10/07	719	08/01/07	2,600.00
None	11/12/07	733	11/15/07	<u>8,600.00</u>
Total				<u>\$16,950.00</u>
Two Year Total				<u>\$56,466.02</u>

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 . . .

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Finding No. 2 - Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements (Continued)

The expenditures of \$56,466.02 noted above were included as part of the \$71,730.59 in Finding No.1.

The failure to comply with *The Second Class Township Code* and the Department of Transportation's *Publication 9* could result in the borough having to reimburse \$56,466.02 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that if the Department of Transportation does not require the reimbursement of \$71,730.59 to the borough's Liquid Fuels Tax Fund as a result of a failure to obtain project approval discussed in Finding No. 1, that upon official notification of the Department of Transportation the municipality reimburse \$56,466.02 to its Liquid Fuels Tax Fund for failure to comply with advertising and bidding requirements.

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 officials offered no formal response at this time.

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

Our examination disclosed that during 2006 the borough expended \$5,353.75 for a snow plow and parts, \$9,700.00 for paving, \$6,484.52 for stone, and \$5,731.50 for a tar kettle with supplies from its Liquid Fuels Tax Fund. Additionally, during 2007 the borough expended \$4,550.00 for guide rail and \$7,592.57 for storm sewer supplies from its Liquid Fuels Tax Fund. The municipality was required to obtain three written or telephonic price quotations for these purchases. However, documentation for price quotations was not available for examination. These 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>
		<u>2006</u>			
Snow Plow & parts					
0020119-IN	11/09/06	677	11/28/06	\$4,550.00	
0020120-IN	11/09/06	677	11/28/06	520.35	
0020264-IN	11/15/06	677	11/28/06	<u>283.40</u>	\$ 5,353.75
Paving					
None	10/09/06	672	10/19/06	<u>9,700.00</u>	9,700.00
Stone					
24579	09/28/06	673	10/23/06	3,181.75	
24620	09/28/06	673	10/23/06	1,322.02	
24629	09/30/06	673	10/23/06	707.82	
24703	10/06/06	675	11/14/06	<u>1,272.93</u>	6,484.52
Tar Kettle w/Supplies					
617050HE	10/19/06	674	10/27/06	180.00	
617171DE	10/19/06	674	10/27/06	4,316.50	
617206HE	10/20/06	674	10/27/06	<u>1,235.00</u>	<u>5,731.50</u>
2006 Total					<u>\$27,269.77</u>

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

		<u>2007</u>			
Guide Rail					
2682	12/29/06	680	01/03/07	<u>4,550.00</u>	4,550.00
Storm Sewer Supplies					
10183	03/15/07	694	03/19/07	2,892.00	
028315	03/16/07	698	03/20/07	636.00	
028391	03/30/07	707	04/17/07	952.00	
032855	04/25/07	712	05/09/07	295.00	
029799	10/15/07	728	10/19/07	2,079.27	
628A	10/31/07	735	11/27/07	<u>738.30</u>	<u>7,592.57</u>
2007 Totals					<u>\$12,142.57</u>
Two Year Total					<u>\$39,412.34</u>

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

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

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 \$39,412.34 to its Liquid Fuels Tax Fund.

It should be noted that none of the \$39,412.34 in expenditures were in furtherance of any of the projects described in Finding No. 1, except the \$4,550.00 for guiderail.

Recommendations

We recommend that the borough reimburse \$39,412.34 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation. However, if reimbursement for the guide rail is required in Finding No. 1, we recommend that the borough reimburse \$34,862.34 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 officials offered no formal response at this time.

BOROUGH OF WAYNESBURG
GREENE COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE TWO YEARS ENDED
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An exit conference was held April 24, 2009. Those participating were:

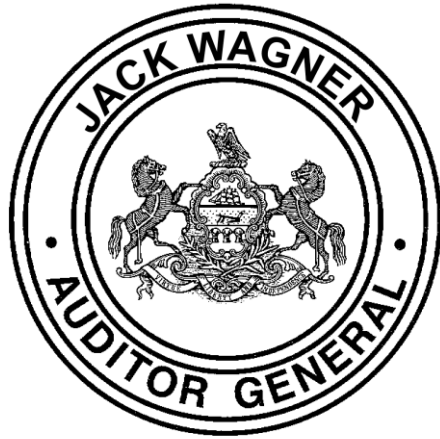
BOROUGH OF WAYNESBURG

Mr. Bruce Werminger, Borough Manager

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Peggy J. Denham, Auditor

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



BOROUGH OF WAYNESBURG
GREENE COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE TWO YEARS ENDED
DECEMBER 31, 2007

This report was initially distributed to:

The Honorable Allen D. Biehler, P.E.
Secretary
Department of Transportation

Borough of Waynesburg
Greene County
90 East High Street
Waynesburg, PA 15370

The Honorable Charles A. Berryhill

President of Council

Mr. Bruce Wermlinger

Borough Manager

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.