

# ATTESTATION ENGAGEMENT

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Township of Freeport  
Greene County, Pennsylvania  
30-206

Liquid Fuels Tax Fund  
For the Period  
January 1, 2021 to December 31, 2022

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October 2024



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General

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TIMOTHY L. DEFOOR  
AUDITOR GENERAL

### Independent Auditor's Report

The Honorable Michael Carroll  
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 Freeport, Greene County, for the period January 1, 2021 to December 31, 2022. The municipality's management is responsible for presenting the Forms MS-965 in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*. Our responsibility is to express an opinion on the Forms MS-965 With Adjustments based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Forms MS-965 are presented in accordance with the criteria described above, in all material respects. An examination involves performing procedures to obtain evidence about the Forms MS-965. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the Forms MS-965, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our qualified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with ethical requirements relating to the engagement.

As described in the Auditor Description Of Select Transactions section of this report, 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:

- We were unable to examine the images of the back of the canceled checks from the municipality's financial institution because the municipality failed to obtain them from its financial institution. Consequently, we were unable to view the back of the canceled checks for the disbursements we selected for testing, which would have contributed to the evidence obtained to determine whether disbursements were made in accordance with applicable laws and regulations (see Finding No. 1).
- The municipality did not maintain invoices to support expenditures of \$3,460.38 for automotive parts and repairs, \$76.65 for stamped envelopes, and \$1,905.15 for shop supplies during 2021 and \$75.00 for title work, \$269.90 for a step ladder, and \$260.81 for automotive parts during 2022 (see Finding No. 3).
- On February 28, 2022, the municipality issued check No. 1036 for \$456.00 to a vendor for parts and labor. However, there was an addition error on the invoice made by the vendor resulting in the municipality being overcharged by \$56.00 (see Finding No. 4).
- The municipality expended a total of \$714.07 during 2021 and 2022 from the Liquid Fuels Tax Fund for nonpermissible items (see Finding No. 5).

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 Freeport, Greene County, for the period January 1, 2021 to December 31, 2022, in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Forms MS-965, any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements; and abuse that has a material effect on the Forms MS-965. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Forms MS-965 are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over reporting on the Forms MS-965 or on compliance and other matters; accordingly, we express no such opinions.

## Independent Auditor's Report (Continued)

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

Our consideration of internal control was for the limited purpose of expressing an opinion on whether the Forms MS-965 are presented in accordance with the criteria described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the findings listed below, that we consider to be material weaknesses in internal control:

- Electronic Imaging Of Cancelled Checks From The Bank Did Not Include The Back Of The Checks.
- One Signature On Liquid Fuels Tax Fund Checks.
- Documentation Supporting Expenditures Was Not Available For Examination.
- Vendor Overcharge.

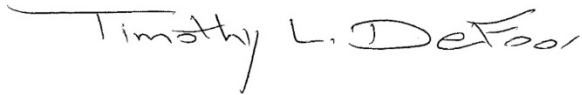
As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Township of Freeport, Greene County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of amounts on the Forms MS-965. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*:

- Nonpermissible Expenditures.

Independent Auditor's Report (Continued)

The purpose of this report is to determine whether the municipality's Liquid Fuels Tax Fund money is spent in accordance with the laws and regulations identified in the Background section of this report and the Department of Transportation's *Publication 9*. This report is not suitable for any other purpose.

We appreciate the courtesy extended by the Township of Freeport, Greene County, to us during the course of our examination. If you have any questions, please feel free to contact the Bureau of County Audits at 717-787-1363.

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

Timothy L. DeFoor  
Auditor General  
July 18, 2024

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TOWNSHIP OF FREEPORT  
GREENE COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2022

Background

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

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

Each municipality must deposit the allocation of Liquid Fuels Tax funds and annual maintenance payments that it receives into a special fund called either the Municipal Liquid Fuels Tax Fund or State Fund. A municipality may not deposit any other monies into this fund except when the municipality does not have enough money in the special fund to meet the payments called for by its current annual budget for road and bridge purposes. In such a case, the municipality may borrow money or transfer money from its General Fund to its Liquid Fuels Tax Fund.

The Department of Transportation has been given the regulatory authority for the administration of these funds. Department of Transportation's *Publication 9* includes the policies and procedures for the administration of Act 655, as amended, and the Liquid Fuels Tax Fund money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.

To qualify for the annual allocation of Liquid Fuels Tax funds, *Publication 9* indicates that each municipality shall:

1. Submit annual reports (MS-965, Actual Use Report, MS-965P, Project and Miscellaneous Receipts, and MS-965S, Record of Checks).
2. Make deposits and payments or expenditures in compliance with Act 655 of 1956, as amended. Failure to do so may result in not receiving allocations from PennDOT until all discrepancies are resolved. *Publication 9*, Section 2.6, includes information about investing Liquid Fuels Tax monies, using loan or bond proceeds, and types of receipts into the Liquid Fuels Tax Fund.

TOWNSHIP OF FREEPORT  
 GREENE COUNTY  
 LIQUID FUELS TAX FUND  
 BACKGROUND  
 FOR THE PERIOD  
 JANUARY 1, 2021 TO DECEMBER 31, 2022

Background (Continued)

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

*Criteria*

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

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

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

2019	2020	2021	2022
\$11,100.00	\$11,300.00	\$11,500.00	\$11,800.00

- Minor equipment purchases are purchases of road machinery and road equipment with varying yearly costs that are less than or equal to the amounts indicated below:

2019	2020	2021	2022
\$11,100.00	\$11,300.00	\$11,500.00	\$11,800.00

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



TOWNSHIP OF FREEPORT  
GREENE COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2022

Background (Continued)

Section 2 of Form MS-965 With Adjustments provides information on the fund balance. Categories requiring explanation include:

- The state allocation is available from the Department of Transportation in March of each year. The amount the municipality receives is based half on its population and half on its road mileage.
- Municipalities that transferred roads from the Commonwealth of Pennsylvania to the municipality through the Highway Transfer Program receive annual turnback allocations in March of each year from the Department of Transportation. Turnback allocations are based on the mileage of the roads transferred.
- Expenditures include the total transferred from Section 1.

Section 3 of Form MS-965 With Adjustments determines if the municipality expended Liquid Fuels Tax Fund money in excess of the permissible amount for equipment and the balance that the municipality may carry forward for the purchase of equipment to the subsequent year.

Department of Transportation *Publication 9* requires that the amount expended for equipment purchases in a given year not exceed the sum of the equipment balance carried forward from the previous year and 20 percent of the current year's Liquid Fuels Tax Fund allocation and, if applicable, 20 percent of the turnback allocation plus other Department of Transportation approved adjustments.

If the municipality spent in excess of the amount listed on Line 4, the excess must be reimbursed to the Liquid Fuels Tax Fund.

The equipment balance to be carried forward for the subsequent year is the lesser of the amount on Line 6 or the ending fund balance on Line 6 of Section 2, but not less than zero.

TOWNSHIP OF FREEPORT  
GREENE COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2022

Background (Continued)

*Basis of Presentation*

The financial activities of the municipality are accounted for in separate funds. The Liquid Fuels Tax Fund is used to account for state aid revenues from the Pennsylvania Department of Transportation used primarily for building and improving local roads and bridges. The Form MS-965 has been prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation as a result of the Fuels Tax Act 655, dated 1956 and as amended, which does not constitute a complete presentation of the entity's assets, liabilities, expenses, and fund balance. Accordingly, the presentation of Form MS-965 With Adjustments is restricted to the Liquid Fuels Tax Fund, which represents a segment of the entity.

*Basis Of Accounting*

The accompanying Forms MS-965 With Adjustments is prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation. Under this method, revenues are recognized when received and expenditures are recorded when paid.

*General Fixed Assets*

General fixed assets are recognized as expenditures at the time of purchase. No depreciation has been provided on the heavy equipment used to maintain and repair roads and bridges.

TOWNSHIP OF FREEPORT  
 GREENE COUNTY  
 LIQUID FUELS TAX FUND  
 2021 FORM MS-965 – SECTION 1  
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ 76.95	\$ -	\$ 76.95
Computer/Computer related training	-	-	-
Major equipment purchases	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	964.79	-	964.79
Street lighting	-	-	-
Storm sewers and drains	6,148.82	-	6,148.82
Repairs of tools and machinery	6,473.05	3,288.29	9,761.34
Maintenance and repair of roads and bridges	9,085.31	-	9,085.31
Highway construction and rebuilding projects	-	-	-
Miscellaneous	124.32	(47.67)	76.65
 Total (To Section 2, Line 5)	 <u>\$ 22,873.24</u>	 <u>\$ 3,240.62</u>	 <u>\$ 26,113.86</u>

TOWNSHIP OF FREEPORT  
 GREENE COUNTY  
 LIQUID FUELS TAX FUND  
 2021 FORM MS-965 – SECTION 2  
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2021	\$ 66,462.05	\$ -	\$ 66,462.05
Receipts:			
2. State allocation	32,682.83	-	32,682.83
2a. Turnback allocation	15,680.00	-	15,680.00
2b. Interest on investments	110.43	-	110.43
2c. Miscellaneous	30,345.76	-	30,345.76
3. Total receipts	78,819.02	-	78,819.02
4. Total funds available	145,281.07	-	145,281.07
5. Expenditures (Section 1)	22,873.24	3,240.62	26,113.86
6. Balance, December 31, 2021	<u>\$ 122,407.83</u>	<u>\$ (3,240.62)</u>	<u>\$ 119,167.21</u>

TOWNSHIP OF FREEPORT  
 GREENE COUNTY  
 LIQUID FUELS TAX FUND  
 2021 FORM MS-965 – SECTION 3  
 WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 30,116.70	\$ -	\$ 30,116.70
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	9,672.57	-	9,672.57
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	39,789.27	-	39,789.27
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>39,789.27</u>	<u>-</u>	<u>39,789.27</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 39,789.27</u>	<u>\$ -</u>	<u>\$ 39,789.27</u>

TOWNSHIP OF FREEPORT  
 GREENE COUNTY  
 LIQUID FUELS TAX FUND  
 2022 FORM MS-965 – SECTION 1  
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ 608.69	\$ (49.23)	\$ 559.46
Computer/Computer related training	-	685.00	685.00
Major equipment purchases	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	477.04	-	477.04
Traffic control devices	697.60	-	697.60
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	11,638.23	(3,240.62)	8,397.61
Maintenance and repair of roads and bridges	14,468.98	-	14,468.98
Highway construction and rebuilding projects	-	-	-
Miscellaneous	174.20	49.23	223.43
 Total (To Section 2, Line 5)	 <u>\$ 28,064.74</u>	 <u>\$ (2,555.62)</u>	 <u>\$ 25,509.12</u>

TOWNSHIP OF FREEPORT  
 GREENE COUNTY  
 LIQUID FUELS TAX FUND  
 2022 FORM MS-965 – SECTION 2  
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2022	\$ 122,407.83	\$ (3,240.62)	\$ 119,167.21
Receipts:			
2. State allocation	32,047.14	-	32,047.14
2a. Turnback allocation	15,680.00	-	15,680.00
2b. Interest on investments	2,276.50	-	2,276.50
2c. Miscellaneous	-	-	-
3. Total receipts	<u>50,003.64</u>	<u>-</u>	<u>50,003.64</u>
4. Total funds available	<u>172,411.47</u>	<u>(3,240.62)</u>	<u>169,170.85</u>
5. Expenditures (Section 1)	<u>28,064.74</u>	<u>(2,555.62)</u>	<u>25,509.12</u>
6. Balance, December 31, 2022	<u><u>\$ 144,346.73</u></u>	<u><u>\$ (685.00)</u></u>	<u><u>\$ 143,661.73</u></u>

TOWNSHIP OF FREEPORT  
 GREENE COUNTY  
 LIQUID FUELS TAX FUND  
 2022 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	\$ 39,789.27	\$ -	\$ 39,789.27
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	9,545.43	-	9,545.43
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	49,334.70	-	49,334.70
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>49,334.70</u>	<u>-</u>	<u>49,334.70</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 49,334.70</u>	<u>\$ -</u>	<u>\$ 49,334.70</u>



TOWNSHIP OF FREEPORT  
GREENE COUNTY  
LIQUID FUELS TAX FUND  
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2022

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

Adjustments

2021 - Section 1

An adjustment of \$3,288.29 was made to “Repairs of tools and machinery” because check No. 1026 for \$1,341.47 and check No. 1027 for \$1,899.15, which were both issued in 2021, were incorrectly reported as expenditures in 2022. Additionally, expenditures of \$47.67 were misclassified as miscellaneous.

An adjustment of \$(47.67) was made to “Miscellaneous” because these expenditures for repairs of tools and machinery were misclassified.

2022 - Section 1

Adjustments were made to “Minor equipment purchases” and “Miscellaneous” because expenditures of \$49.23 were misclassified.

An adjustment of \$685.00 was made to “Computer/Computer related training” because this expenditure was not reported.

An adjustment of \$(3,240.62) was made to “Repairs of tools and machinery” because these expenditures were issued in 2021 but incorrectly reported as expenditures in 2022.

2022 - Section 2

An adjustment of \$(3,240.62) was made to “Balance, January 1, 2022” to reflect the adjustment made to the fund balance in 2021 - Section 2.

TOWNSHIP OF FREEPORT  
 GREENE COUNTY  
 LIQUID FUELS TAX FUND  
 AUDITOR DESCRIPTION OF SELECT TRANSACTIONS  
 FOR THE PERIOD  
 JANUARY 1, 2021 TO DECEMBER 31, 2022

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>2021</u>	<u>2022</u>
Vendor	Undocumented expenditure (see Finding No. 3)	\$76.65	\$ -
Vendor	Nonpermissible expenditure (see Finding No. 5)	-	80.43
Vendor	Overpayment of invoice (see Finding No. 4)	-	56.00
Vendor	Nonpermissible expenditure (see Finding No. 5)	-	12.00
Supervisor	Undocumented expenditure (see Finding No. 3)	-	75.00
Totals		<u>\$76.65</u>	<u>\$223.43</u>

TOWNSHIP OF FREEPORT  
GREENE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2022

**Finding No. 1 - Electronic Imaging Of Cancelled Checks From The Bank Did Not Include The Back Of The Checks**

Our examination disclosed that from November of 2021 through December of 2022, the imaging of cancelled checks from the bank for the Liquid Fuels Tax Fund account was not acceptable because the bank provided only an image of the front side of the cancelled checks. For us to properly complete our examination testing, we have to examine the front and back of the cancelled checks. Because the test of disbursements was limited, we had to qualify our opinion as stated in the Independent Auditor's Report.

Good internal controls and the Commonwealth of Pennsylvania Management Directive 210.11, dated June 16, 1997, require that imaging systems comply with the provisions of the Internal Revenue Service (IRS) procedures for record keeping with electronic imaging. To be acceptable, the documents provided by the system must meet IRS procedures governing size, content, format, and pattern. Those procedures require that all images produced by the imaging system exhibit a high degree of legibility and readability when displayed on paper. Legibility includes the ability to identify all letters and numerals positively and quickly. Readability includes the ability to recognize a group of letters or numerals as words or completed numbers. Imaged documents must include the front and back of a document in which both the front and back are used.

Further, good internal controls ensure that by having a municipal official review the front and back of the cancelled checks, any errors or misappropriations can be detected on a timely basis.

Without this control, the potential exists for errors or misappropriations to go undetected for long periods of time.

This condition occurred because the bank stopped including the back of the checks on the bank statements.

**Recommendations**

We recommend that the municipal officials obtain images of the front and back of cancelled checks in accordance with Directive 210.11. Additionally, municipal officials should review the front and back of each cancelled check for any errors or misappropriations.

TOWNSHIP OF FREEPORT  
GREENE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2022

**Finding No. 1 - Electronic Imaging Of Cancelled Checks From The Bank Did Not Include  
The Back Of The Checks (Continued)**

Management's Response

The secretary/treasurer stated:

Agree with finding-will contact bank to get images of back of checks going forward.

Auditor's Conclusion

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

TOWNSHIP OF FREEPORT  
GREENE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2022

**Finding No. 2 - One Signature On Liquid Fuels Tax Fund Checks**

Our examination disclosed that two signatures are required to authorize checks drawn on the Liquid Fuels Tax Fund. However, we reviewed all of the 56 checks issued during the examination period and discovered that 3 checks had only one signature. When a check is only signed by one person, there is a significant risk of unauthorized disbursements, errors, or misappropriations occurring and remaining undetected. To decrease this risk, the township officials should ensure that at least two authorized persons sign all checks drawn on the Liquid Fuels Tax Fund.

We are unable to determine why the three checks were not signed by two authorized persons.

Recommendation

We recommend that the municipality improve internal control procedures over disbursements by ensuring that the township comply with its policy of requiring at least two signatures on all disbursements from the Liquid Fuels Tax Fund account.

Management's Response

The secretary/treasurer stated:

Agree with finding-two signatures will be on all checks going forward.

Auditor's Conclusion

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

TOWNSHIP OF FREEPORT  
GREENE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2022

**Finding No. 3 - Documentation Supporting Expenditures Was Not Available For Examination**

Our examination disclosed that the municipality did not maintain invoices to support expenditures of \$3,460.38 for automotive parts and repairs, \$76.65 for stamped envelopes, and \$1,905.15 for shop supplies during 2021 and \$75.00 for title work, 269.90 for a step ladder, and \$260.81 for automotive parts during 2022.

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.

We were unable to determine why invoices were not maintained for these expenditures.

**Recommendations**

We recommend that the municipality reimburse \$6,047.89 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 FREEPORT  
GREENE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2022

**Finding No. 3 - Documentation Supporting Expenditures Was Not Available For Examination (Continued)**

Management's Response

The secretary/treasurer stated:

Agree with finding-will assure documentation will be available going forward.

Auditor's Conclusion

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

TOWNSHIP OF FREEPORT  
GREENE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2022

**Finding No. 4 - Vendor Overcharge**

Our examination disclosed that on February 28, 2022, the municipality issued check No. 1036 for \$456.00 to a vendor for parts and labor. However, there was an addition error on the invoice made by the vendor resulting in municipality being overcharged by \$56.00.

Good internal controls ensure that invoices issued by a vendor are recalculated before payments are made on vendor invoices. The failure to follow this procedure increases the possibility that vendor overcharges could remain undetected for long periods of time.

This condition occurred because the municipality did not recalculate the invoice before payment was made.

Recommendations

We recommend that the municipality reimburse \$56.00 to its Liquid Fuels Tax Fund upon official notification of the Department of Transportation.

We also recommend that the municipal officials contact the vendor as soon as possible to obtain reimbursement.

We further recommend that the municipality recalculate all invoices prior to making payment.

Management's Response

The secretary/treasurer stated:

Agree with finding-will assure totals are verified going forward.

Auditor's Conclusion

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



TOWNSHIP OF FREEPORT  
 GREENE COUNTY  
 LIQUID FUELS TAX FUND  
 FINDINGS AND RECOMMENDATIONS  
 FOR THE PERIOD  
 JANUARY 1, 2021 TO DECEMBER 31, 2022

**Finding No. 5 - Nonpermissible Expenditures**

Our examination disclosed that the municipality expended a total of \$714.07 during 2021 and 2022 from the Liquid Fuels Tax Fund for the following nonpermissible items:

<u>Description</u>	<u>Amount</u>	<u>Totals</u>
<u>2021</u>		
Shop supplies	\$ 80.43	
2021 Total		\$ 80.43
<u>2022</u>		
Keys	12.00	
Cinders	477.04	
Stove pipes	<u>144.60</u>	
2022 Total		<u>633.64</u>
Two Year Total		<u>\$714.07</u>

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 shop supplies, keys, cinders and stove pipes, are outside the scope of permissible expenditures.

We were unable to determine the cause of this condition.

The failure to follow the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations as noted above could result in the municipality having to reimburse \$714.07 to its Liquid Fuels Tax Fund.

TOWNSHIP OF FREEPORT  
GREENE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2022

**Finding No. 5 - Nonpermissible Expenditures (Continued)**

Recommendations

We recommend that the municipality reimburse \$714.07 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the municipality comply with the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations regarding permissible expenditures.

Management's Response

The secretary/treasurer stated:

Agree with finding-spending guidelines will be followed going forward.

Auditor's Conclusion

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

TOWNSHIP OF FREEPORT  
GREENE COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF 2018-2019 EXAMINATION RECOMMENDATION  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2022

Summary Of 2018-2019 Examination Recommendation

In our 2018-2019 report, we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$30,345.76 to its Liquid Fuels Tax Fund for noncompliance with advertising and bidding requirements.

During our current examination, we reviewed a letter dated July 14, 2021, from the Department of Transportation directing the municipality to reimburse \$30,345.76 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on August 6, 2021.

TOWNSHIP OF FREEPORT  
GREENE COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF ONSITE CLOSEOUT MEETING  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2022

An onsite closeout meeting was held July 17, 2024. Those participating were:

TOWNSHIP OF FREEPORT

Ms. Barbara V. Curry, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mrs. Michele Simpson, Auditor

TOWNSHIP OF FREEPORT  
GREENE COUNTY  
LIQUID FUELS TAX FUND  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2022

This report was initially distributed to:

**The Honorable Michael Carroll**  
Secretary  
Department of Transportation

**Township of Freeport**  
Greene County  
773 Golden Oaks Road  
New Freeport, PA 15352

**The Honorable Guy Hostutler**  
Chairman of the Board of Supervisors

**The Honorable James Gillin**  
Vice-Chairman of the Board of Supervisors

**Ms. Barbara V. Curry**  
Secretary/Treasurer

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