

ATTESTATION ENGAGEMENT

Township of Millstone

Elk County, Pennsylvania

24-208

Liquid Fuels Tax Fund

For the Period

January 1, 2020 to December 31, 2023

February 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



Commonwealth of Pennsylvania
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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 Millstone, Elk County, for the period January 1, 2020 to December 31, 2023. 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 Finding No. 2, the township made a down payment of \$20,000.00 and paid \$500.00 for document fees for the purchase of a 2022 JCB 3CX-14 backhoe from a COSTARS contract without being a registered member. Additionally, as discussed in Finding No. 3, the municipality expended \$38,995.00 from the Liquid Fuels Tax Fund for the purchase of a Ford F-550 utility truck without advertising for bids a second time as required by the Department of Transportation's *Publication 9* and failed to deposit grant money received for the truck into the Liquid Fuels Tax Fund.

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 Millstone, Elk County, for the period January 1, 2020 to December 31, 2023, 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.

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. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 a 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. We consider the deficiency below to be a material weakness:

- Authorized Check Signers Are Related.

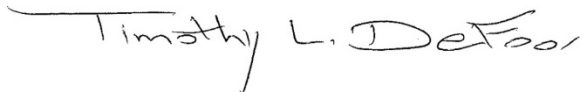
Independent Auditor's Report (Continued)

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

- Township Made Purchases From A COSTARS Contract Without Being A Registered Member.
- Noncompliance With Advertising And Bidding Requirements And Grant Money Improperly Deposited Into The General Fund.

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 Millstone, Elk 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.



Timothy L. DeFoor
Auditor General
December 7, 2024

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TOWNSHIP OF MILLSTONE
ELK COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2023

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 MILLSTONE
 ELK COUNTY
 LIQUID FUELS TAX FUND
 BACKGROUND
 FOR THE PERIOD
 JANUARY 1, 2020 TO DECEMBER 31, 2023

Background (Continued)

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

Criteria

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

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

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

| 2020 | 2021 | 2022 | 2023 |
|-------------|-------------|-------------|-------------|
| \$11,300.00 | \$11,500.00 | \$11,800.00 | \$12,200.00 |

- 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:

| 2020 | 2021 | 2022 | 2023 |
|-------------|-------------|-------------|-------------|
| \$11,300.00 | \$11,500.00 | \$11,800.00 | \$12,200.00 |

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

TOWNSHIP OF MILLSTONE
ELK COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2023

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 MILLSTONE
ELK COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2023

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 MILLSTONE
 ELK COUNTY
 LIQUID FUELS TAX FUND
 2020 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

| <u>Expenditure Summary</u> | <u>Reported</u> | <u>Adjustments</u> | <u>Adjusted Amount</u> |
|---|-------------------------|--------------------|----------------------------|
| Minor equipment purchases | \$ - | \$ - | \$ - |
| Computer/Computer related training | - | - | - |
| Major equipment purchases | - | - | - |
| Agility projects | - | - | - |
| Cleaning streets and gutters | - | - | - |
| Winter maintenance services | 1,828.47 | - | 1,828.47 |
| Traffic control devices | 191.67 | - | 191.67 |
| Street lighting | - | - | - |
| Storm sewers and drains | - | - | - |
| Repairs of tools and machinery | 1,187.68 | - | 1,187.68 |
| Maintenance and repair of roads and bridges | 21,473.75 | - | 21,473.75 |
| Highway construction and rebuilding projects | - | - | - |
| Miscellaneous | 263.06 | - | 263.06 |
| Total (To Section 2, Line 5) | <u>\$ 24,944.63</u> | <u>\$ -</u> | <u>\$ 24,944.63</u> |

TOWNSHIP OF MILLSTONE
 ELK COUNTY
 LIQUID FUELS TAX FUND
 2020 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, 2020 | \$ 8,157.54 | \$ - | \$ 8,157.54 |
| Receipts: | | | |
| 2. State allocation | 65,038.91 | - | 65,038.91 |
| 2a. Turnback allocation | 1,120.00 | - | 1,120.00 |
| 2b. Interest on investments | 13.11 | - | 13.11 |
| 2c. Miscellaneous | - | - | - |
| 3. Total receipts | <u>66,172.02</u> | <u>-</u> | <u>66,172.02</u> |
| 4. Total funds available | <u>74,329.56</u> | <u>-</u> | <u>74,329.56</u> |
| 5. Expenditures (Section 1) | <u>24,944.63</u> | <u>-</u> | <u>24,944.63</u> |
| 6. Balance, December 31, 2020 | <u><u>\$ 49,384.93</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 49,384.93</u></u> |

TOWNSHIP OF MILLSTONE
 ELK COUNTY
 LIQUID FUELS TAX FUND
 2020 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 | \$ 8,157.54 | \$ - | \$ 8,157.54 |
| 2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2) | 13,231.78 | - | 13,231.78 |
| 3. PENNDOT approved adjustments | <u>-</u> | <u>-</u> | <u>-</u> |
| 4. Total funds available for equipment acquisition | 21,389.32 | - | 21,389.32 |
| 5. Less: Major equipment expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| 6. Remainder | <u>21,389.32</u> | <u>-</u> | <u>21,389.32</u> |
| 7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero) | <u>\$ 21,389.32</u> | <u>\$ -</u> | <u>\$ 21,389.32</u> |

TOWNSHIP OF MILLSTONE
 ELK 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 | \$ - | \$ - | \$ - |
| Computer/Computer related training | - | - | - |
| Major equipment purchases | - | - | - |
| Agility projects | - | - | - |
| Cleaning streets and gutters | - | - | - |
| Winter maintenance services | 4,257.96 | - | 4,257.96 |
| Traffic control devices | - | - | - |
| Street lighting | - | - | - |
| Storm sewers and drains | - | - | - |
| Repairs of tools and machinery | 8,784.13 | - | 8,784.13 |
| Maintenance and repair of roads and bridges | 27,101.25 | (14.44) | 27,086.81 |
| Highway construction and rebuilding projects | - | - | - |
| Miscellaneous | - | - | - |
| Total (To Section 2, Line 5) | <u>\$ 40,143.34</u> | <u>\$ (14.44)</u> | <u>\$ 40,128.90</u> |

TOWNSHIP OF MILLSTONE
 ELK 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 | \$ 49,384.93 | \$ - | \$ 49,384.93 |
| Receipts: | | | |
| 2. State allocation | 59,720.16 | - | 59,720.16 |
| 2a. Turnback allocation | 1,120.00 | - | 1,120.00 |
| 2b. Interest on investments | 17.60 | - | 17.60 |
| 2c. Miscellaneous | - | - | - |
| 3. Total receipts | <u>60,857.76</u> | <u>-</u> | <u>60,857.76</u> |
| 4. Total funds available | <u>110,242.69</u> | <u>-</u> | <u>110,242.69</u> |
| 5. Expenditures (Section 1) | <u>40,143.34</u> | <u>(14.44)</u> | <u>40,128.90</u> |
| 6. Balance, December 31, 2021 | <u><u>\$ 70,099.35</u></u> | <u><u>\$ 14.44</u></u> | <u><u>\$ 70,113.79</u></u> |

TOWNSHIP OF MILLSTONE
 ELK 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 | \$ 21,389.32 | \$ - | \$ 21,389.32 |
| 2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2) | 12,168.03 | - | 12,168.03 |
| 3. PENNDOT approved adjustments | <u>-</u> | <u>-</u> | <u>-</u> |
| 4. Total funds available for equipment acquisition | 33,557.35 | - | 33,557.35 |
| 5. Less: Major equipment expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| 6. Remainder | <u>33,557.35</u> | <u>-</u> | <u>33,557.35</u> |
| 7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero) | <u>\$ 33,557.35</u> | <u>\$ -</u> | <u>\$ 33,557.35</u> |

TOWNSHIP OF MILLSTONE
 ELK 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 | \$ 9,800.00 | \$ - | \$ 9,800.00 |
| Computer/Computer related training | - | - | - |
| Major equipment purchases | - | - | - |
| Agility projects | - | - | - |
| Cleaning streets and gutters | - | - | - |
| Winter maintenance services | 736.77 | - | 736.77 |
| Traffic control devices | 196.32 | - | 196.32 |
| Street lighting | - | - | - |
| Storm sewers and drains | - | - | - |
| Repairs of tools and machinery | 27,436.42 | 1,203.22 | 28,639.64 |
| Maintenance and repair of roads and bridges | 35,035.33 | - | 35,035.33 |
| Highway construction and rebuilding projects | - | - | - |
| Miscellaneous | 1,203.22 | (1,203.22) | - |
| Total (To Section 2, Line 5) | <u>\$ 74,408.06</u> | <u>\$ -</u> | <u>\$ 74,408.06</u> |

TOWNSHIP OF MILLSTONE
 ELK 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 | \$ 70,099.35 | \$ 14.44 | \$ 70,113.79 |
| Receipts: | | | |
| 2. State allocation | 60,866.71 | - | 60,866.71 |
| 2a. Turnback allocation | 1,120.00 | - | 1,120.00 |
| 2b. Interest on investments | 16.42 | - | 16.42 |
| 2c. Miscellaneous | - | - | - |
| 3. Total receipts | <u>62,003.13</u> | <u>-</u> | <u>62,003.13</u> |
| 4. Total funds available | <u>132,102.48</u> | <u>14.44</u> | <u>132,116.92</u> |
| 5. Expenditures (Section 1) | <u>74,408.06</u> | <u>-</u> | <u>74,408.06</u> |
| 6. Balance, December 31, 2022 | <u><u>\$ 57,694.42</u></u> | <u><u>\$ 14.44</u></u> | <u><u>\$ 57,708.86</u></u> |

TOWNSHIP OF MILLSTONE
 ELK 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 | \$ 33,557.35 | \$ - | \$ 33,557.35 |
| 2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2) | 12,397.34 | - | 12,397.34 |
| 3. PENNDOT approved adjustments | <u>-</u> | <u>-</u> | <u>-</u> |
| 4. Total funds available for equipment acquisition | 45,954.69 | - | 45,954.69 |
| 5. Less: Major equipment expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| 6. Remainder | <u>45,954.69</u> | <u>-</u> | <u>45,954.69</u> |
| 7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero) | <u>\$ 45,954.69</u> | <u>\$ -</u> | <u>\$ 45,954.69</u> |

TOWNSHIP OF MILLSTONE
 ELK COUNTY
 LIQUID FUELS TAX FUND
 2023 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

| <u>Expenditure Summary</u> | <u>Reported</u> | <u>Adjustments</u> | <u>Adjusted Amount</u> |
|---|--------------------------|---------------------|----------------------------|
| Minor equipment purchases | \$ 17,695.39 | \$ - | \$ 17,695.39 |
| Computer/Computer related training | - | - | - |
| Major equipment purchases | 59,600.00 | - | 59,600.00 |
| Agility projects | - | - | - |
| Cleaning streets and gutters | - | - | - |
| Winter maintenance services | 1,200.80 | - | 1,200.80 |
| Traffic control devices | 1,060.24 | - | 1,060.24 |
| Street lighting | - | - | - |
| Storm sewers and drains | - | - | - |
| Repairs of tools and machinery | 15,126.21 | - | 15,126.21 |
| Maintenance and repair of roads and bridges | 32,822.80 | 40.00 | 32,862.80 |
| Highway construction and rebuilding projects | - | - | - |
| Miscellaneous | 107.01 | - | 107.01 |
| Total (To Section 2, Line 5) | <u>\$ 127,612.45</u> | <u>\$ 40.00</u> | <u>\$ 127,652.45</u> |

TOWNSHIP OF MILLSTONE
 ELK COUNTY
 LIQUID FUELS TAX FUND
 2023 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, 2023 | \$ 57,694.42 | \$ 14.44 | \$ 57,708.86 |
| Receipts: | | | |
| 2. State allocation | 61,602.20 | - | 61,602.20 |
| 2a. Turnback allocation | 1,120.00 | - | 1,120.00 |
| 2b. Interest on investments | 622.64 | - | 622.64 |
| 2c. Miscellaneous | 16,200.00 | - | 16,200.00 |
| 3. Total receipts | 79,544.84 | - | 79,544.84 |
| 4. Total funds available | 137,239.26 | 14.44 | 137,253.70 |
| 5. Expenditures (Section 1) | 127,612.45 | 40.00 | 127,652.45 |
| 6. Balance, December 31, 2023 | <u>\$ 9,626.81</u> | <u>\$ (25.56)</u> | <u>\$ 9,601.25</u> |

TOWNSHIP OF MILLSTONE
 ELK COUNTY
 LIQUID FUELS TAX FUND
 2023 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 | \$ 45,954.69 | \$ - | \$ 45,954.69 |
| 2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2) | 12,544.44 | - | 12,544.44 |
| 3. PENNDOT approved adjustments | <u>4,200.00</u> | <u>-</u> | <u>4,200.00</u> |
| 4. Total funds available for equipment acquisition | 62,699.13 | - | 62,699.13 |
| 5. Less: Major equipment expenditures | <u>59,600.00</u> | <u>-</u> | <u>59,600.00</u> |
| 6. Remainder | <u><u>3,099.13</u></u> | <u><u>-</u></u> | <u><u>3,099.13</u></u> |
| 7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero) | <u><u>\$ 3,099.13</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 3,099.13</u></u> |

TOWNSHIP OF MILLSTONE
ELK COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2023

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 \$(14.44) was made to “Maintenance and repair of roads and bridges” because check No. 3176 was voided but was included as an expenditure.

2022 - Section 1

Adjustments were made to “Repairs of tools and machinery” and “Miscellaneous” because expenditures of \$1,203.22 were misclassified.

2022 - Section 2

An adjustment of \$14.44 was made to “Balance, January 1, 2022” to reflect the adjustment made to the fund balance in 2021 - Section 2.

2023 - Section 1

An adjustment of \$40.00 was made to “Maintenance and repair of roads and bridges” because check No. 3356 was reported as \$945.48 but was issued for \$985.48.

2023 - Section 2

An adjustment of \$14.44 was made to “Balance, January 1, 2023” to reflect the adjustment made to the fund balance in 2022 - Section 2.

TOWNSHIP OF MILLSTONE
 ELK COUNTY
 LIQUID FUELS TAX FUND
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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>2023</u> |
|-------------------|----------------------|--------------------|
| Elk County | County Aid | \$ 7,000.00 |
| Elk County | Act 13 grant | 5,000.00 |
| Local Business | Sale of equipment | <u>4,200.00</u> |
| Totals | | <u>\$16,200.00</u> |

Miscellaneous Expenditures

The following miscellaneous expenditures were paid from the Liquid Fuels Tax Fund during the examination period:

| <u>Source</u> | <u>Description</u> | <u>2020</u> | <u>2023</u> |
|---------------|-----------------------|-----------------|-----------------|
| Vendor | Purchase of checks | <u>\$263.06</u> | <u>\$107.01</u> |

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Lease-Purchase Agreement

On June 19, 2023, the municipality entered into a lease-purchase agreement to purchase a 2022 JCB 3CX-14 backhoe for \$113,000.00. The municipality made a down payment of \$20,000.00 and document fees of \$500.00 from the Liquid Fuels Tax Fund. The down payment and document fees from the Liquid Fuels Tax Fund are reflected in major equipment purchases on the 2023 Form MS-965 - Section 1. The municipality financed the remaining \$93,000.00 from Leasing Servicing Center. The agreement was for a term of seven years at an interest rate of 3.59 percent. Principal and interest payments of \$1,253.87 are due monthly. We noted that this purchase was made on a COSTARS contract, but the municipality was not a member of COSTARS. Therefore, Liquid Fuels Tax Fund money should not be used to repay the lease-purchase agreement (see Finding No. 2).

During the current examination period, the municipality paid principal of \$4,533.96 and interest of \$2,989.26 from the General Fund. The outstanding balance of the lease-purchase agreement as of December 31, 2023, was \$88,466.04, plus interest.

TOWNSHIP OF MILLSTONE
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Finding No. 1 - Authorized Check Signers Are Related

Our examination disclosed that the signatures required to authenticate Liquid Fuels Tax Fund payroll checks are that of two supervisors and the secretary/treasurer who are father, son, and daughter-in-law/wife, respectively.

An entity's system of internal controls should include procedures to prevent the possibility of related persons authorizing checks.

The township supervisor stated that this condition occurred because the township was unaware that related officials should not be signing checks together.

When related persons are authorized to sign checks, there is an increased risk of unauthorized disbursements, errors, or misappropriation of assets.

Recommendation

We recommend that the municipality ensure that either none of the authorized check signers are related or that at all checks from the Liquid Fuels Tax Fund account contain the signature of at least one signer who is unrelated to the other signer(s).

Management's Response

The township supervisor stated:

Did not know about related signers. Both are supervisors. Will now have non-related supervisor sign.

Auditor's Conclusion

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

TOWNSHIP OF MILLSTONE
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Finding No. 2 - Township Made Purchases From A COSTARS Contract Without Being A Registered Member

Our examination disclosed that in 2023, the township entered into a lease-purchase agreement to purchase a 2022 JCB 3CX-14 backhoe for \$113,000.00. The township made a down payment of \$20,000.00 and paid \$500.00 for document fees from the Liquid Fuels Tax Fund. The township purchased the backhoe from an approved COSTARS vendor; however, the township was not a COSTARS member during 2023.

COSTARS is a cooperative purchasing program run by the Department of General Services (DGS) that permits local government entities to make purchases from state contracts. The township made the backhoe purchase from a COSTARS contract. However, the township was not registered as a member of COSTARS. DGS requires Local Public Procurement Units and State Affiliated Entities to register as COSTARS members, and only those entities registered with DGS may purchase from a contract.

Because the township was not a registered member of COSTARS, the above purchase was not made in compliance with the advertising, bidding, and contract requirements of *The Second Class Township Code*, 53 P.S. § 68102(a), (also found at § 3102(a) of *The Second Class Township Code* as published by the Local Government Commission), which requires that purchases over \$18,500.00 during 2012 must be advertised, bid, and awarded by contract. The bidding threshold increased to purchases over \$21,000.00 for 2020, \$21,300.00 for 2021, \$21,900.00 for 2022, \$22,500.00 for 2023, \$23,200.00 for 2024, and \$23,800.00 during 2025.

The failure to comply with the DGS COSTARS program or *The Second Class Township Code* could result in the township having to reimburse \$20,500.00 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$20,500.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that if the township desires to make purchases from a COSTARS contract, that it become a registered member of COSTARS or comply with *The Second Class Township Code* to advertise, bid, and award a contract, as noted in this finding.

TOWNSHIP OF MILLSTONE
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Finding No. 2 - Township Made Purchases From A COSTARS Contract Without Being A Registered Member (Continued)

Management's Response

The township supervisor stated:

We purchased from a COSTARS company and got a COSTARS price. We did not know we were not a COSTARS member.

Auditor's Conclusion

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

TOWNSHIP OF MILLSTONE
ELK COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMENNDATIONS
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Finding No. 3 - Noncompliance With Advertising And Bidding Requirements And Grant Money Improperly Deposited Into the General Fund

Our examination disclosed that the township expended \$38,995.00 during 2023 from the Liquid Fuels Tax Fund for the purchase of a 2015 Ford F-550 utility truck. The township advertised for bids for the truck but failed to receive a bid and then purchased the truck from a vendor without advertising for bids a second time. We also noted that the township received an Act 13 grant of \$38,995.00 for the purchase of the truck; however, the grant money was deposited into the General Fund rather than the Liquid Fuels Tax Fund.

The Department of Transportation's *Publication 9*, Appendix D, § 449.5 Failure to receive bids states:

If a purchase or a contract over \$10,000.00 is advertised and no bids are received, **the municipality may not proceed with the purchase or contract unless it is again advertised for bids.** If again, no bids are received, the municipality may negotiate the purchase or contract on the best terms available within 45 days of the second advertisement if no substantial changes are made in the terms, conditions and specifications contained in the bid proposal. If substantial changes must be made to procure the purchase or contract, the purchase shall be re-advertised and bid on the basis of the changes. (Emphasis added.)

Additionally, because the truck expenditure for the truck was made from the Liquid Fuels Tax Fund, the grant money should have been deposited into the Liquid Fuels Tax Fund. The practice of depositing liquid fuels money into any account other than the Liquid Fuels Tax Fund account is contrary to the Act of June 1, 1956, P.L. (1955) 1944, 72 P.S. § 2615.5, known as the Liquid Fuels Tax Municipal Allocation Law, which states:

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

The failure to comply with Department of Transportation's *Publication 9* and the Liquid Fuels Tax Municipal Allocation Law could result in the township having to reimburse \$38,995.00 to its Liquid Fuels Tax Fund. Additionally, the risk that Liquid Fuels Tax Fund money may be used for unauthorized purposes increases when liquid fuels money is commingled with other funds.

The secretary/treasurer stated that the municipality was unaware that it was required to rebid. We were unable to determine why the grant money was deposited into the General Fund.

TOWNSHIP OF MILLSTONE
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LIQUID FUELS TAX FUND
FINDINGS AND RECOMENNDATIONS
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Finding No. 3 - Noncompliance With Advertising And Bidding Requirements and Grant Money Improperly Deposited Into the General Fund (Continued)

Recommendations

We recommend that the township reimburse \$38,995.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We also recommend that the township comply with the Department of Transportation's *Publication 9* and the Liquid Fuels Tax Municipal Allocation Law as noted in this finding.

Management's Response

The secretary/treasurer stated:

We did not realize we needed to rebid for the purchase of the truck after we did not receive any bids the first time. The Township Code just says we need to bid.

Auditor's Conclusion

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

TOWNSHIP OF MILLSTONE
ELK COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF ONSITE CLOSEOUT MEETING
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2023

An onsite closeout meeting was held September 26, 2024. Those participating were:

TOWNSHIP OF MILLSTONE

The Honorable James Ellis, Supervisor

Ms. Amy Ellis, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mrs. Cynthia Stebick, Auditor

TOWNSHIP OF MILLSTONE
ELK COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2023

This report was initially distributed to:

The Honorable Michael Carroll
Secretary
Department of Transportation

Township of Millstone
Elk County
2329 Route 3001
Sigel, PA 15860

The Honorable James Zimmerman
Chairman of the Board of Supervisors

Ms. Amy Ellis
Secretary/Treasurer

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.