

ATTESTATION ENGAGEMENT

Township of Millcreek

Clarion County, Pennsylvania

16-212

Liquid Fuels Tax Fund

For the Period

January 1, 2020 to December 31, 2023

July 2025



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 Millcreek, Clarion 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 the Findings And Recommendations section of this report:

- The municipality did not maintain adequate payroll supporting documentation for payroll expenditures transferred to the General Fund in the amounts of \$5,451.26 in 2020, \$519.00 in 2021, \$1,419.50 in 2022, and \$9,463.15 in 2023. (see Finding No. 1).
- The municipality was overcharged \$512.12 in 2020 by a vendor for the purchase of stone (see Finding No. 2).
- The township expended \$36,932.26 during 2023 from the Liquid Fuels Tax Fund for the purchase of stone but did not document the awarding of bids in the board of supervisors' meeting minutes. (see Finding No. 3)
- The township expended \$15,769.68 during 2022 from its Liquid Fuels Tax Fund for the purchase of stone without maintaining documentation for bids (see Finding No. 4).
- The municipality expended \$7,746.40 in 2022 and \$8,778.94 in 2023 for supervisor's stipends and the local tax collector's commissions, which are nonpermissible expenditures. On April 19, 2022, the municipality reimbursed \$468.75 to the Liquid Fuels Tax Fund, leaving \$16,056.59 due to the Liquid Fuels Tax Fund (see Finding No. 5).
- The municipality expended \$3,726.65 in 2022 and \$3,158.53 in 2023 in excess of the permissible amount for the secretary's salary (see Finding No. 6).

In our opinion, except for the bulleted matters discussed above, 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 Millcreek, Clarion 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.

Independent Auditor's Report (Continued)

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 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 finding listed below, that we consider to be material weaknesses in internal control:

- Documentation Supporting Payroll Expenditures Was Not Available For Examination.
- Vendor Overcharges.

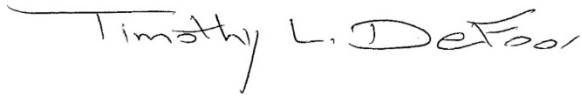
As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Township of Millcreek, Clarion County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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*:

- Bids Awarded Were Not Documented In The Board Of Supervisors' Meeting Minutes.
- Documentation For Bids Was Not Available For Examination.
- Nonpermissible Expenditures.
- Over Expenditure Of Secretary's Salary.

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 Millcreek, Clarion 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 horizontal line above the first name.

Timothy L. DeFoor
Auditor General
June 4, 2025

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TOWNSHIP OF MILLCREEK
CLARION 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 MILLCREEK
CLARION 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:

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>\$11,300.00</u>	<u>\$11,500.00</u>	<u>\$11,800.00</u>	<u>\$12,200.00</u>

- 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:

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>\$11,300.00</u>	<u>\$11,500.00</u>	<u>\$11,800.00</u>	<u>\$12,200.00</u>

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

TOWNSHIP OF MILLCREEK
CLARION 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 MILLCREEK
CLARION 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 MILLCREEK
CLARION 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	31,913.24	-	31,913.24
Traffic control devices	192.53	-	192.53
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	13,612.71	-	13,612.71
Maintenance and repair of roads and bridges	94,836.16	-	94,836.16
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total (To Section 2, Line 5)	<u>\$ 140,554.64</u>	<u>\$ -</u>	<u>\$ 140,554.64</u>

TOWNSHIP OF MILLCREEK
CLARION 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	\$ 24,366.64	\$ -	\$ 24,366.64
Receipts:			
2. State allocation	128,602.56	-	128,602.56
2a. Turnback allocation	1,720.00	-	1,720.00
2b. Interest on investments	49.99	-	49.99
2c. Miscellaneous	-	-	-
3. Total receipts	<u>130,372.55</u>	<u>-</u>	<u>130,372.55</u>
4. Total funds available	<u>154,739.19</u>	<u>-</u>	<u>154,739.19</u>
5. Expenditures (Section 1)	<u>140,554.64</u>	<u>-</u>	<u>140,554.64</u>
6. Balance, December 31, 2020	<u><u>\$ 14,184.55</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,184.55</u></u>

TOWNSHIP OF MILLCREEK
CLARION 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	\$ 24,366.64	\$ -	\$ 24,366.64
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	26,064.51	-	26,064.51
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	50,431.15	-	50,431.15
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>50,431.15</u>	<u>-</u>	<u>50,431.15</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 14,184.55</u>	<u>\$ -</u>	<u>\$ 14,184.55</u>

TOWNSHIP OF MILLCREEK
CLARION 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	37,114.11	-	37,114.11
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	14,914.34	(139.00)	14,775.34
Maintenance and repair of roads and bridges	45,409.52	-	45,409.52
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	139.00	139.00
	<u>-</u>	<u>139.00</u>	<u>139.00</u>
Total (To Section 2, Line 5)	<u>\$ 97,437.97</u>	<u>\$ -</u>	<u>\$ 97,437.97</u>

TOWNSHIP OF MILLCREEK
CLARION 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	\$ 14,184.55	\$ -	\$ 14,184.55
Receipts:			
2. State allocation	119,346.12	-	119,346.12
2a. Turnback allocation	1,720.00	-	1,720.00
2b. Interest on investments	33.76	-	33.76
2c. Miscellaneous	449.98	-	449.98
3. Total receipts	<u>121,549.86</u>	<u>-</u>	<u>121,549.86</u>
4. Total funds available	<u>135,734.41</u>	<u>-</u>	<u>135,734.41</u>
5. Expenditures (Section 1)	<u>97,437.97</u>	<u>-</u>	<u>97,437.97</u>
6. Balance, December 31, 2021	<u>\$ 38,296.44</u>	<u>\$ -</u>	<u>\$ 38,296.44</u>

TOWNSHIP OF MILLCREEK
CLARION 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	\$ 14,184.55	\$ -	\$ 14,184.55
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	24,213.22	-	24,213.22
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	38,397.77	-	38,397.77
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>38,397.77</u>	<u>-</u>	<u>38,397.77</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 38,296.44</u>	<u>\$ -</u>	<u>\$ 38,296.44</u>

TOWNSHIP OF MILLCREEK
CLARION 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	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	59,139.43	(7,746.40)	51,393.03
Traffic control devices	728.07	-	728.07
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	12,971.54	-	12,971.54
Maintenance and repair of roads and bridges	52,125.52	-	52,125.52
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	7,746.40	7,746.40
	<u>-</u>	<u>7,746.40</u>	<u>7,746.40</u>
Total (To Section 2, Line 5)	<u>\$ 124,964.56</u>	<u>\$ -</u>	<u>\$ 124,964.56</u>

TOWNSHIP OF MILLCREEK
CLARION 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	\$ 38,296.44	\$ -	\$ 38,296.44
Receipts:			
2. State allocation	119,401.98	-	119,401.98
2a. Turnback allocation	1,720.00	-	1,720.00
2b. Interest on investments	20.39	-	20.39
2c. Miscellaneous	4,862.02	-	4,862.02
3. Total receipts	126,004.39	-	126,004.39
4. Total funds available	164,300.83	-	164,300.83
5. Expenditures (Section 1)	124,964.56	-	124,964.56
6. Balance, December 31, 2022	<u>\$ 39,336.27</u>	<u>\$ -</u>	<u>\$ 39,336.27</u>

TOWNSHIP OF MILLCREEK
CLARION 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	\$ 38,296.44	\$ -	\$ 38,296.44
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	24,224.40	-	24,224.40
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	62,520.84	-	62,520.84
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>62,520.84</u>	<u>-</u>	<u>62,520.84</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 39,336.27</u>	<u>\$ -</u>	<u>\$ 39,336.27</u>

TOWNSHIP OF MILLCREEK
CLARION 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	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	30,837.60	(8,778.94)	22,058.66
Traffic control devices	832.50	-	832.50
Street lighting	3,667.13	(3,667.13)	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	25,621.84	(380.00)	25,241.84
Maintenance and repair of roads and bridges	80,214.66	3,667.13	83,881.79
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	9,158.94	9,158.94
	<u>-</u>	<u>9,158.94</u>	<u>9,158.94</u>
Total (To Section 2, Line 5)	<u>\$ 141,173.73</u>	<u>\$ -</u>	<u>\$ 141,173.73</u>

TOWNSHIP OF MILLCREEK
CLARION 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	\$ 39,336.27	\$ -	\$ 39,336.27
Receipts:			
2. State allocation	123,035.58	-	123,035.58
2a. Turnback allocation	1,720.00	-	1,720.00
2b. Interest on investments	16.44	-	16.44
2c. Miscellaneous	6,288.52	-	6,288.52
3. Total receipts	131,060.54	-	131,060.54
4. Total funds available	170,396.81	-	170,396.81
5. Expenditures (Section 1)	141,173.73	-	141,173.73
6. Balance, December 31, 2023	<u>\$ 29,223.08</u>	<u>\$ -</u>	<u>\$ 29,223.08</u>

TOWNSHIP OF MILLCREEK
CLARION 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	\$ 39,336.27	\$ -	\$ 39,336.27
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	24,951.12	-	24,951.12
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	64,287.39	-	64,287.39
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>64,287.39</u>	<u>-</u>	<u>64,287.39</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 29,223.08</u>	<u>\$ -</u>	<u>\$ 29,223.08</u>

TOWNSHIP OF MILLCREEK
CLARION 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 details.

Adjustments

2021 - Section 1

Adjustments were made to “Repairs of tools and machinery” and “Miscellaneous” because expenditures of \$139.00 were misclassified.

2022 - Section 1

Adjustments were made to “Winter maintenance services” and “Miscellaneous” because expenditures of \$7,746.40 were misclassified.

2023 - Section 1

Adjustments were made to “Winter maintenance services,” “Repairs of tools and machinery,” and “Miscellaneous” because expenditures of \$9,158.94 were misclassified.

Adjustments were made to “Street lighting” and “Maintenance and repair of roads and bridges” because expenditures of \$3,667.13 were misclassified.

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

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>2021</u>	<u>2022</u>	<u>2023</u>
General Fund	Undocumented receipts	\$310.98	\$ -	\$ -
General Fund	Reimbursement for payment in error	139.00	-	380.00
General Fund	Refund of void payroll check (Finding No. 5)	-	468.75	-
General Fund	Reimbursement for stone	-	4,393.27	-
Vendor	Refund of duplicate billing by vendor	-	-	5,908.52
Totals		<u>\$449.98</u>	<u>\$4,862.02</u>	<u>\$6,288.52</u>

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

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>	<u>2023</u>
Vendor	Payment in error	\$139.00	\$ -	\$380.00
Millcreek Payroll	Supervisor Stipend (Finding No. 4)	-	5,281.00	6,249.75
Millcreek Payroll	Local Tax Collector Commission (Finding No. 4)	-	2,465.40	2,529.19
Totals		<u>\$139.00</u>	<u>\$7,746.40</u>	<u>\$9,158.94</u>

Payments In Error

On November 8, 2021, the municipality expended \$139.00 from its Liquid Fuels Tax Fund for concrete block in error. On November 10, 2021, the municipality transferred \$139.00 from its General Fund to its Liquid Fuels Tax Fund to correct the payment in error.

On February 2, 2023, the municipality expended \$380.00 from its Liquid Fuels Tax Fund for vinyl signs in error. On March 7, 2023, the municipality transferred \$380.00 from its General Fund to its Liquid Fuels Tax Fund to correct the payment in error.

Duplicate Billing

On June 20, 2023, the municipality expended \$11,817.04 from its Liquid Fuels Tax Fund for two different invoices for the same repair work on a Case backhoe. On September 13, 2023, the vendor refunded \$5,908.52 to the municipality's Liquid Fuels Tax Fund to correct the duplicate billing.

TOWNSHIP OF MILLCREEK
CLARION COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2023

Finding No. 1 - Documentation Supporting Payroll Expenditures Was Not Available For Examination

Our examination disclosed that the municipality expended \$65,510.77 during 2020, \$55,397.69 during 2021, \$65,010.71 during 2022, and \$63,867.91 during 2023 from the Liquid Fuels Tax Fund for payroll. However, in some instances the municipality did not maintain daily payroll time sheets identifying the nature of work performed and/or the location of work assignments. Of the payroll tested, the municipality transferred \$5,451.26 in 2020, \$519.00 in 2021, \$1,419.50 in 2022, and \$9,463.15 in 2023, from its Liquid Fuels Tax Fund to its General Fund in excess of the amount for which it maintained adequate documentation for payroll.

Without payroll documentation that includes daily time sheets that identify the nature of work performed and the location of work assignments, we could not determine if these payroll expenditures were permissible according to the Liquid Fuels Tax Municipal Allocation Law.

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.

An adequate system of internal controls includes procedures to provide assurance that documentation identifying the nature of the work performed and location of work assignments is maintained.

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.

The failure to maintain documentation of payroll expenditures as noted above could result in the municipality having to reimburse \$16,852.91 to its Liquid Fuels Tax Fund.

We were unable to determine why the municipality did not indicate the nature of work performed and/or the location of the work assignments on all of the timesheets.

TOWNSHIP OF MILLCREEK
CLARION COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2023

Finding No. 1 - Documentation Supporting Payroll Expenditures Was Not Available For Examination (Continued)

Recommendations

We recommend that the municipality reimburse \$16,852.91 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 payroll by maintaining daily time sheets that identify the nature of work performed and the location of work assignments.

Management's Response

The secretary/treasurer stated:

I will be making a copy of the paycheck stub and stapling it to the bank transfer to maintain payroll expenditures.

Auditor's Conclusion

The municipality should ensure that it maintains daily time sheets identifying the nature of work performed and the location of work assignments. Copying the check stub will not provide adequate documentation. During our next examination, we will determine if the municipality complied with our recommendations.

TOWNSHIP OF MILLCREEK
CLARION COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2023

Finding No. 2 - Vendor Overcharges

Our examination disclosed that the municipality was overcharged a total of \$512.12 during 2020 for the purchase of #1 Limestone and #8 Limestone as follows:

<u>Product</u>	<u>Quantity Purchased</u>	<u>Contract Price</u>	<u>Invoice Price</u>	<u>Unit Price Difference</u>	<u>Total Price Difference</u>
#1 Limestone	21.72	\$24.00	\$24.50	.50	\$ 10.86
#1 Limestone	21.24	24.00	24.50	.50	10.62
#1 Limestone	45.72	24.00	24.50	.50	22.86
#8 Limestone	65.80	25.00	28.50	3.50	230.30
#8 Limestone	67.85	25.00	28.50	3.50	237.48
Amount overpaid					<u>\$512.12</u>

Municipalities should have internal control procedures to ensure that invoice prices are compared to contract prices before payments are made on vendor invoices. The failure to follow this procedure increases the risk of overpayments being made and remaining undetected.

We were unable to determine why the municipality did not confirm the contract price on the invoice before remitting payment.

Recommendations

We recommend that the municipality reimburse \$512.12 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 compare invoice prices to contract prices prior to making payments on vendor invoices.

Management's Response

The secretary/treasurer stated:

I will double check bid sheets because of vendor overcharging, undercharging, and sum charges are spot on.

TOWNSHIP OF MILLCREEK
CLARION COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2023

Finding No. 2 - Vendor Overcharges (Continued)

Auditor's Conclusion

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

TOWNSHIP OF MILLCREEK
CLARION COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2023

**Finding No. 3 - Bids Awarded Were Not Documented In The Board Of
Supervisors' Meeting Minutes**

Our examination disclosed that the township expended \$36,932.26 during 2023 from the Liquid Fuels Tax Fund for the purchase of stone. The township should have awarded the contract to the lowest responsible bidder. However, the awarded contracts were not documented in the board of supervisors' meeting minutes. Therefore, we were unable to determine if the township complied with *The Second Class Township Code*.

The Second Class Township Code, Section 3102(e) states, “. . . The award of contracts shall only be made by public announcement at the meeting at which bids are opened by the board of supervisors, or received from the individual or committee appointed by the board of supervisors to open and read bids, or at a subsequent meeting of the board of supervisors, the time and place of which shall be publicly announced when bids are received. If for any reason one or both of the meetings are not held, the same business may be transacted at a subsequent meeting if at least five days' notice of the meeting is published in the same newspaper as the notice of bids. Bidders shall be notified and other interested parties, upon request, shall be notified of the date, time and location of the opening of bids and may be present when the bids are opened.

The failure to comply with *The Second Class Township Code* could result in the township having to reimburse \$36,932.26 to its Liquid Fuels Tax Fund.

The condition occurred because the new secretary/treasurer was not aware that the awarding of bids had to be documented in the minutes of the township supervisors' meetings.

Recommendations

We recommend that the township reimburse \$36,932.26 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the Board of Supervisors ensures that bids are awarded during public meetings and are documented in the meeting minutes.

TOWNSHIP OF MILLCREEK
CLARION COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2023

**Finding No. 3 - Bids Awarded Were Not Documented In The Board Of
Supervisors' Meeting Minutes (Continued)**

Management's Response

The secretary/treasurer stated:

I was not aware that the awarding of bids had to be documented in the minutes of the township supervisors' meeting minutes.

Auditor's Conclusion

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

TOWNSHIP OF MILLCREEK
CLARION COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2023

Finding No. 4 - Documentation For Bids Was Not Available For Examination

Our examination disclosed that the township expended \$15,769.68 during 2022 from its Liquid Fuels Tax Fund for the purchase of stone. Although, the township was only required to obtain three written or telephonic price quotations for these expenditures, it advertised for bids for the stone. However, documentation for the bids was not available for examination. Therefore, we were unable to determine if the municipality complied with *The Second Class Township Code*.

The Second Class Township Code, 53 P.S. § 68102(b), (also found at § 3102(b) of *The Second Class Township Code* as published by the Local Government Commission), states, in part:

Written or telephonic price quotations from at least three qualified and responsible contractors shall be requested for all contracts [during 2012] that exceed ten thousand dollars (\$10,000.00) but are less than the amount [in excess of \$18,500.00] requiring advertisement and competitive bidding or, in lieu of price quotations, a memorandum shall be kept on file showing that fewer than three qualified contractors exist in the market area within which it is practicable to obtain quotations. A written record of telephonic price quotations shall be made and shall contain at least the date of the quotation, the name of the contractor and the contractor's representative, the construction, reconstruction, repair, maintenance or work which was the subject of the quotation and the price. Written price quotations, written records of telephonic price quotations and memoranda shall be retained for a period of three years.

The thresholds for obtaining price quotations increased to purchases between \$11,300.00 and \$21,000.00 for 2020, \$11,500.00 and \$21,300.00 for 2021, \$11,800.00 and \$21,900.00 for 2022, \$12,200.00 and \$22,500.00 for 2023, \$12,600.00 and \$23,200.00 for 2024, and \$12,900.00 and \$23,800.00 for 2025.

The failure to comply with *The Second Class Township Code* could result in the township having to reimburse \$15,769.68 to its Liquid Fuels Tax Fund.

The secretary/treasurer stated that this condition occurred because 2022 bid materials were taken off grounds by a supervisor and not returned and now cannot be located.

TOWNSHIP OF MILLCREEK
CLARION COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2023

Finding No. 4 - Documentation For Bids Was Not Available For Examination (Continued)

Recommendations

We recommend that the township reimburse \$15,769.68 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the township comply with *The Second Class Township Code* as noted in this finding.

Management's Response

The secretary/treasurer stated:

The 2022 bid materials were taken off grounds by a supervisor. I will not let the bid materials leave the office.

Auditor's Conclusion

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

TOWNSHIP OF MILLCREEK
CLARION COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2023

Finding No. 5 - Nonpermissible Expenditures

Our examination disclosed that the municipality expended \$7,746.40 during 2022 and \$8,778.94 during 2023 from the Liquid Fuels Tax Fund for the following nonpermissible items:

<u>Description</u>	<u>Amount</u>	<u>Totals</u>
Township Supervisors Stipends	\$5,281.00	
Local Tax Collector Commission Payments	<u>2,465.40</u>	
2022 Total		\$ 7,746.40
Township Supervisors Stipends	\$6,249.75	
Local Tax Collector Commission Payments	<u>2,529.19</u>	
2023 Total		<u>8,778.94</u>
Total		<u>\$16,525.34</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 supervisors' stipends and local tax collector commission payments, are outside the scope of permissible expenditures.

On April 19, 2022, the municipality reimbursed \$468.75 to the Liquid Fuels Tax Fund.

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 \$16,056.59 to its Liquid Fuels Tax Fund.

The condition occurred because when the secretary/treasurer was hired, she was informed payroll was paid with liquid fuels funds. She thought that meant everyone's payroll.

TOWNSHIP OF MILLCREEK
CLARION COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2023

Finding No. 5 - Nonpermissible Expenditures (Continued)

Recommendations

We recommend that the municipality reimburse \$16,056.59 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:

Supervisor pay will not be taken out of liquid fuels. When I was hired, I was informed that payroll was liquid fuels. I thought that was everyone's payroll.

Auditor's Conclusion

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

TOWNSHIP OF MILLCREEK
CLARION COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2023

Finding No. 6 - Over Expenditure Of Secretary's Salary

Our examination disclosed that the township expended \$9,499.88 during 2022 and \$9,730.68 during 2023 from the Liquid Fuels Tax Fund for the secretary's salary; however, the amount expended exceeded the permissible amount by \$6,885.18 over those two years as follows:

	<u>2022</u>	<u>2023</u>
Total expenditures	\$124,964.56	\$141,173.73
Less – Secretary salary expended	(9,499.88)	(9,730.68)
Less – Loans to the General Fund	<u>-</u>	<u>-</u>
Expenditures eligible for salary compensation	115,464.68	131,443.05
Multiplied by .05	<u>.05</u>	<u>.05</u>
Maximum permissible secretary salary	5,773.23	6,572.15
Less – Salary charged to Fund	<u>(9,499.88)</u>	<u>(9,730.68)</u>
Excess salary payment	<u>\$ 3,726.65</u>	<u>\$ 3,158.53</u>

According to the Department of Transportation representatives, the secretary's salary permitted to be expended from the Liquid Fuels Tax Fund is limited to five percent of expenditures, not including the secretary's salary, as calculated above.

The condition occurred because the secretary/treasurer was not aware of the five percent cap on the secretary's salary.

The failure to follow the Department of Transportation's regulations as noted above could result in the township having to reimburse \$6,885.18 to its Liquid Fuels Tax Fund.

TOWNSHIP OF MILLCREEK
CLARION COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2023

Finding No. 6 - Over Expenditure Of Secretary's Salary (Continued)

Recommendations

We recommend that the township reimburse \$6,885.18 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the township limit its expenditures from the Liquid Fuels Tax Fund for the secretary's compensation to five percent as calculated in this finding and as required by the Department of Transportation.

Management's Response

The secretary/treasurer stated:

The secretary's payroll will be used with general fund and not liquid fuels money.

Auditor's Conclusion

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

TOWNSHIP OF MILLCREEK
CLARION 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 March 18, 2025. Those participating were:

TOWNSHIP OF MILLCREEK

The Honorable Kristina Hamilton, Supervisor/Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Veronica McNutt, Auditor

TOWNSHIP OF MILLCREEK
CLARION 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 Millcreek
Clarion County
463 Gravel Lick Road
Strattanville, PA 16258

The Honorable Fred Brandstetter
Chairman of the Board of Supervisors

The Honorable Kristina Hamilton
Supervisor/Secretary/Treasurer

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