

ATTESTATION ENGAGEMENT

Township of Salem
Clarion County, Pennsylvania
16-220
Liquid Fuels Tax Fund
For the Period
January 1, 2022 to December 31, 2024

May 2026



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov

TIMOTHY L. DEFOOR
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Michael Carroll
Secretary
Department of Transportation
Harrisburg, PA 17120

We have examined the accompanying Forms MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Township of Salem, Clarion County, for the period January 1, 2022 to December 31, 2024. 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, our examination disclosed:

- The municipality was overcharged a total of \$6,195.27 by a vendor for the purchase of 2A limestone during 2022 (see Finding No. 1).
- The municipality expended \$28,696.27 in excess of the amount available for the purchase of equipment during 2022 (see Finding No. 2).
- The municipality expended a total of \$30,390.19 during 2022 for aggregates. Most of the aggregate was bid properly, however \$4,598.68 was expended in 2022 for #57/2B limestone, which was not included in the bid packet, and therefore, not properly advertised and bid (see Finding No. 4).

In our opinion, except for the effects of the deviations from the criteria 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 Salem, Clarion County, for the period January 1, 2022 to December 31, 2024, in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*.

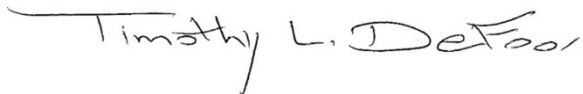
In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the Forms MS-965; and any other instances that warrant the attention of those charged with governance. 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 internal control over the Forms MS-965 or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed the following findings that are required to be reported under *Government Auditing Standards*:

- Vendor Overcharges.
- Over Expended Equipment Purchase Tally.
- Liquid Fuels Money Over Expended On Project.
- Noncompliance With Advertising And Bidding Requirements.
- Non-Permissible Expenditure - Recurring.

Independent Auditor's Report (Continued)

The purpose of this report is to provide information related to the municipality's Liquid Fuels Tax Fund to assist the Pennsylvania Department of Transportation in fulfilling its regulatory authority as described in the laws and regulations identified in the Background section of this report and the Pennsylvania Department of Transportation's *Publication 9*. This report is not suitable for any other purpose.

We appreciate the courtesy extended by the Township of Salem, 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 long horizontal line extending from the start of the name.

Timothy L. DeFoor
Auditor General
March 19, 2026

CONTENTS

	<u>Page</u>
Background.....	1
Financial Section:	
2022 Form MS-965 With Adjustments	5
2023 Form MS-965 With Adjustments	8
2024 Form MS-965 With Adjustments	11
Auditor Description Of Select Transactions.....	14
Findings And Recommendations:	
Finding No. 1 - Vendor Overcharges	18
Finding No. 2 - Over Expended Equipment Purchase Tally	19
Finding No. 3 - Liquid Fuels Money Over Expended On Project.....	21
Finding No. 4 - Noncompliance With Advertising And Bidding Requirements	22
Finding No. 5 - Non-Permissible Expenditure - Recurring.....	23
Summary Of Prior Examinations' Recommendations.....	24
Summary Of Onsite Closeout Meeting.....	26
Report Distribution	27

TOWNSHIP OF SALEM
CLARION COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

Background

The Liquid Fuels Tax Municipal Allocation Law¹ 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 maintained by all political subdivisions making application in the county; and (2) 50 percent on the proportion of a municipality's population to the total population of all municipalities making application in the state.²

Section 9511 (relating to Allocation of proceeds) of the Pennsylvania Vehicle Code provides municipalities with annual maintenance payments to be received from the Motor License Fund.³

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).

¹ 72 P.S. § 2615.1 *et seq.*, Act 655 of 1956, as amended.

² 75 Pa.C.S. § 9010(c)(1)-(2) as last amended by Act 89 of 2013.

³ 75 Pa.C.S. § 9511, as last amended by Act 89 of 2013 and Act 101 of 2016, *See also* 72 P.S. § 2615.4, as last amended by Act 42 of 2013.

TOWNSHIP OF SALEM
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 BACKGROUND
 FOR THE PERIOD
 JANUARY 1, 2022 TO DECEMBER 31, 2024

Background (Continued)

2. Make deposits and payments or expenditures in compliance with Act 655, 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 that can be placed into the Liquid Fuels Tax Fund.
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:

2021	2022	2023	2024
\$11,500.00	\$11,800.00	\$12,200.00	\$12,600.00

- 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:

2021	2022	2023	2024
\$11,500.00	\$11,800.00	\$12,200.00	\$12,600.00

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

TOWNSHIP OF SALEM
CLARION COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

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 SALEM
CLARION COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

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, 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's financial activities.

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 SALEM
 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	\$ 375.00	\$ -	\$ 375.00
Computer/Computer related training	-	-	-
Major equipment purchases	102,550.42	-	102,550.42
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	15,733.92	-	15,733.92
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	9,237.89	-	9,237.89
Maintenance and repair of roads and bridges	55,023.17	(2,600.00)	52,423.17
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	2,600.00	2,600.00
 Total (To Section 2, Line 5)	 <u>\$ 182,920.40</u>	 <u>\$ -</u>	 <u>\$ 182,920.40</u>

TOWNSHIP OF SALEM
 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	\$ 51,673.05	\$ -	\$ 51,673.05
Receipts:			
2. State allocation	102,127.08	-	102,127.08
2a. Turnback allocation	45,560.00	-	45,560.00
2b. Interest on investments	912.36	-	912.36
2c. Miscellaneous	20,805.59	-	20,805.59
3. Total receipts	169,405.03	-	169,405.03
4. Total funds available	221,078.08	-	221,078.08
5. Expenditures (Section 1)	182,920.40	-	182,920.40
6. Balance, December 31, 2022	<u>\$ 38,157.68</u>	<u>\$ -</u>	<u>\$ 38,157.68</u>

TOWNSHIP OF SALEM
 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	\$ 44,316.73	\$ -	\$ 44,316.73
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	29,537.42	-	29,537.42
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	73,854.15	-	73,854.15
5. Less: Major equipment expenditures	102,550.42	-	102,550.42
6. Remainder	<u>(28,696.27)</u>	<u>-</u>	<u>(28,696.27)</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWNSHIP OF SALEM
 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	25,550.42	-	25,550.42
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	5,149.99	-	5,149.99
Traffic control devices	844.84	-	844.84
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	12,485.23	-	12,485.23
Maintenance and repair of roads and bridges	77,406.27	-	77,406.27
Highway construction and rebuilding projects	19,912.16	-	19,912.16
Miscellaneous	14,510.00	-	14,510.00
 Total (To Section 2, Line 5)	 <u>\$ 155,858.91</u>	 <u>\$ -</u>	 <u>\$ 155,858.91</u>

TOWNSHIP OF SALEM
 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	\$ 38,157.68	\$ -	\$ 38,157.68
Receipts:			
2. State allocation	105,245.52	-	105,245.52
2a. Turnback allocation	45,560.00	-	45,560.00
2b. Interest on investments	6,565.18	-	6,565.18
2c. Miscellaneous	94,974.40	-	94,974.40
3. Total receipts	<u>252,345.10</u>	<u>-</u>	<u>252,345.10</u>
4. Total funds available	<u>290,502.78</u>	<u>-</u>	<u>290,502.78</u>
5. Expenditures (Section 1)	<u>155,858.91</u>	<u>-</u>	<u>155,858.91</u>
6. Balance, December 31, 2023	<u><u>\$ 134,643.87</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 134,643.87</u></u>

TOWNSHIP OF SALEM
 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	\$ (28,696.27)	\$ 28,696.27	\$ -
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	30,161.10	-	30,161.10
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	1,464.83	28,696.27	30,161.10
5. Less: Major equipment expenditures	25,550.42	-	25,550.42
6. Remainder	<u>(24,085.59)</u>	<u>28,696.27</u>	<u>4,610.68</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ -</u>	<u>\$ 4,610.68</u>	<u>\$ 4,610.68</u>

TOWNSHIP OF SALEM
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2024 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	25,550.42	-	25,550.42
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	16,120.44	-	16,120.44
Traffic control devices	1,344.98	-	1,344.98
Street lighting	-	-	-
Storm sewers and drains	-	8,076.00	8,076.00
Repairs of tools and machinery	28,113.85	-	28,113.85
Maintenance and repair of roads and bridges	121,647.12	(8,076.00)	113,571.12
Highway construction and rebuilding projects	-	-	-
Miscellaneous	.10	738.23	738.33
 Total (To Section 2, Line 5)	 <u>\$ 192,776.91</u>	 <u>\$ 738.23</u>	 <u>\$ 193,515.14</u>

TOWNSHIP OF SALEM
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2024 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, 2024	\$ 134,643.87	\$ -	\$ 134,643.87
Receipts:			
2. State allocation	104,501.11	-	104,501.11
2a. Turnback allocation	45,560.00	-	45,560.00
2b. Interest on investments	8,515.49	-	8,515.49
2c. Miscellaneous	-	738.23	738.23
3. Total receipts	<u>158,576.60</u>	<u>738.23</u>	<u>159,314.83</u>
4. Total funds available	<u>293,220.47</u>	<u>738.23</u>	<u>293,958.70</u>
5. Expenditures (Section 1)	<u>192,776.91</u>	<u>738.23</u>	<u>193,515.14</u>
6. Balance, December 31, 2024	<u><u>\$ 100,443.56</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 100,443.56</u></u>

TOWNSHIP OF SALEM
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2024 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	\$ (24,085.59)	\$ 28,696.27	\$ 4,610.68
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	30,012.22	-	30,012.22
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	5,926.63	28,696.27	34,622.90
5. Less: Major equipment expenditures	25,550.42	-	25,550.42
6. Remainder	<u>(19,623.79)</u>	<u>28,696.27</u>	<u>9,072.48</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ -</u>	<u>\$ 9,072.48</u>	<u>\$ 9,072.48</u>

TOWNSHIP OF SALEM
CLARION COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

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

Adjustments

2022 - Section 1

Adjustments were made to “Maintenance and repair of roads and bridges” and “Miscellaneous” because expenditures of \$2,600.00 were misclassified.

2023 - Section 3

An adjustment of \$28,696.27 was made to “Prior year equipment balance” because an incorrect equipment balance was carried forward.

2024 - Section 1

Adjustments were made to “Storm sewers and drains” and “Maintenance and repair of roads and bridges” because expenditures of \$8,076.00 were misclassified.

An adjustment of \$738.23 was made to “Miscellaneous” because a correction of a deposit in error was not reported.

2024 - Section 2

An adjustment of \$738.23 was made to “Miscellaneous” because a deposit in error was not reported.

2024 - Section 3

An adjustment of \$28,696.27 was made to “Prior year equipment balance” to reflect the adjustment made to the equipment balance in 2023 - Section 3.

TOWNSHIP OF SALEM
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
 FOR THE PERIOD
 JANUARY 1, 2022 TO DECEMBER 31, 2024

Miscellaneous Receipts

The following miscellaneous receipts were deposited into the Liquid Fuels Tax Fund during the examination period:

Source	Description	2022	2023	2024
General Fund	Reimbursement (Summary Of 2015-2018 Examination Recommendation)	\$10,038.09	\$ -	\$ -
General Fund	Sale of road salt	3,943.50	-	-
General Fund	Reimbursement (Summary Of 2019-2021 Examination Recommendations)	-	65,954.40	-
General Fund	Reimbursement for expenditure	4,224.00	-	-
General Fund	Reimbursement (Finding No. 5)	2,600.00	-	-
General Fund	Reimbursement (Finding No. 3)	-	14,510.00	-
General Fund	Correction of transfer in error	-	14,510.00	-
Commonwealth of Pennsylvania	Deposit in error	-	-	738.23
Totals		<u>\$20,805.59</u>	<u>\$94,974.40</u>	<u>\$738.23</u>

TOWNSHIP OF SALEM
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
 FOR THE PERIOD
 JANUARY 1, 2022 TO DECEMBER 31, 2024

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>2022</u>	<u>2023</u>	<u>2024</u>
General Fund	Transfer in error	\$ -	\$14,510.00	\$ -
Financial Institution	Bank service charges	-	-	.10
General Fund	Correction of deposit in error	-	-	738.23
Vendor	Non-permissible expenditure (Finding No. 5)	2,600.00	-	-
Totals		<u>\$2,600.00</u>	<u>\$14,510.00</u>	<u>\$738.33</u>

Transfer In Error

On October 17, 2023, the municipality transferred \$14,510.00 from its Liquid Fuels Tax Fund to its General Fund in error. On November 14, 2023, the municipality transferred this amount from its General Fund to its Liquid Fuels Tax Fund to correct the transfer in error.

Deposit In Error

On June 3, 2024, the Commonwealth of Pennsylvania deposited \$738.23 into the municipality's Liquid Fuels Tax Fund in error. On June 4, 2024, this amount was transferred from the Liquid Fuels Tax Fund to the General Fund to correct the deposit in error.

TOWNSHIP OF SALEM
CLARION COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

Local Government Project Loan

On July 30, 2014, the municipality purchased a 2014 JCB backhoe loader, plus equipment, for \$99,558.80. The municipality made a down payment of \$49,558.80 from Liquid Fuels Tax Fund. On December 5, 2014, the municipality borrowed the remaining \$50,000.00 from the Commonwealth of Pennsylvania and deposited the proceeds into its Liquid Fuels Tax Fund. The term of the loan was for five years at an interest rate of 2.0 percent. The first annual principal and interest payment of \$2,647.21 was due March 1, 2015. Thereafter, remaining principal and interest payments of \$2,633.32 are due quarterly. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$49,788.50 and \$2,878.74, respectively.

During the current examination period, the municipality paid principal of \$211.50 and interest and late fees of \$15.26 from the General Fund. The loan was paid in full on December 20, 2022.

Lease-Purchase Agreement

On August 7, 2020, the municipality entered into a lease-purchase agreement with NCL Government Capital to purchase a 2016 JCB hydradigger for \$135,000.00. The agreement was for a term of six years at an interest rate of 5.19 percent. Principal and interest payments of \$25,550.42 are due annually. Prior years' principal, interest, and processing fee payments from the Liquid Fuels Tax Fund were \$44,790.25, \$6,310.59, and \$250.00, respectively.

During the current examination period, the municipality paid principal of \$65,919.13 and interest of \$10,732.13 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2022, 2023, and 2024 Forms MS-965 - Section 1. The outstanding balance of the lease-purchase agreement as of December 31, 2024, was \$24,290.62, plus interest.

TOWNSHIP OF SALEM
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
 JANUARY 1, 2022 TO DECEMBER 31, 2024

Finding No. 1 - Vendor Overcharges

We tested 23 expenditures totaling \$320,957.65 and found that the municipality was overcharged a total of \$6,195.27 for two expenditures during 2022 for the purchase of 2A 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>
2A limestone	436.91 ton	\$18.25/ton	\$23.72/ton	\$5.47	\$2,389.90
2A limestone	695.68 ton	\$18.25/ton	\$23.72/ton	\$5.47	<u>3,805.37</u>
			Amount overpaid		<u><u>\$6,195.27</u></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 the cause of this condition.

Recommendations

We recommend that the municipality reimburse \$6,195.27 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:

This was an oversight.

Auditor's Conclusion

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

TOWNSHIP OF SALEM
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
 JANUARY 1, 2022 TO DECEMBER 31, 2024

Finding No. 2 - Over Expended Equipment Purchase Tally

Our examination disclosed that the municipality expended \$28,696.27 in excess of the amount available for the purchase of equipment for 2022 as follows:

<u>2022</u>	<u>Actual</u>
1. Prior year equipment balance	\$ 44,316.73
2. Current year equipment allocation (20% of Lines 2 + 2A, Section 2)	29,537.42
3. PENNDOT approved adjustments	<u>-</u>
4. Total funds available for equipment acquisition	73,854.15
5. Less: Major equipment purchases	<u>102,550.42</u>
6. Amount Over-Expended for equipment - 2022	<u>\$ 28,696.27</u>

The Department of Transportation’s, *Publication 9*, Appendix D, Section 449.11, 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, 20 percent of the current year’s Liquid Fuels Tax Fund allocations, and any approved adjustments.

The secretary/treasurer stated that the condition occurred because the municipality did not understand the limits with equipment purchases.

The failure to follow *Publication 9* could result in the municipality having to reimburse \$28,696.27 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$28,696.27 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the municipality comply with the Department of Transportation’s limit on equipment expenditures in accordance with *Publication 9*.

TOWNSHIP OF SALEM
CLARION COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

Finding No. 2 - Over Expended Equipment Purchase Tally (Continued)

Management's Response

The secretary/treasurer stated:

The equipment tally [finding] was because I didn't understand how it worked.

Auditor's Conclusion

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

TOWNSHIP OF SALEM
CLARION COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

Finding No. 3 - Liquid Fuels Money Over Expended On Project

We tested one expenditure related to a construction project and found that the municipality over expended on this project. On June 8, 2023, the municipality expended \$19,912.16 from the Liquid Fuels Tax Fund on construction project No. 22-16220-002. However, the amount of Liquid Fuels Tax Fund money approved by the Department of Transportation to be expended from the Liquid Fuels Tax Fund for this project was \$5,402.16. The difference of \$14,510.00 should have been paid directly from the General Fund.

The Department of Transportation's Regulations do not permit a municipality to expend Liquid Fuels Tax Fund money in excess of the amount approved on Municipal Services Completion Report Form MS-999.

The secretary/treasurer stated that this condition because the municipality did not know that county aid grants needed to be paid directly out of the General Fund.

On November 14, 2023, the municipality reimbursed \$14,510.00 to the Liquid Fuels Tax Fund.

Recommendation

We recommend that the municipality expend only the approved amount of Liquid Fuels Tax Fund money on road construction projects.

Management's Response

The secretary/treasurer stated:

The project was my mistake. I didn't know county grants went into the General Fund and were paid from the General Fund.

Auditor's Conclusion

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

TOWNSHIP OF SALEM
CLARION COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

Finding No. 4 - Noncompliance With Advertising And Bidding Requirements

Our examination disclosed that the township expended a total of \$30,390.19 during 2022 from the Liquid Fuels Tax Fund for aggregates. Most of the aggregate was bid properly, however, the township expended \$4,598.68 on March 8, 2022, from the Liquid Fuels Tax Fund for the purchase of #57/2B limestone that was not included in the bid packets, which is in noncompliance with the advertising and bidding requirements of *The Second Class Township Code*.

The above expenditure 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 \$21,900.00 for 2022, \$22,500.00 for 2023, \$23,200.00 for 2024, and \$23,800.00 for 2025. *The Second Class Township Code*, 53 P.S. § 68104(a), (also found at § 3104(a) of *The Second Class Township Code* as published by the Local Government Commission) further states that advertising, bidding and contract requirements should not be evaded through piecemeal purchases.

We were unable to determine the cause of this condition

The failure to comply with *The Second Class Township Code* could result in the township having to reimburse \$4,598.68 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the township reimburse \$4,598.68 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:

[Limestone] #57 was not included in bid packet.

Auditor's Conclusion

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

TOWNSHIP OF SALEM
CLARION COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

Finding No. 5 - Non-Permissible Expenditure - Recurring

We cited the municipality for a non-permissible expenditure in our prior examination for the period January 1, 2019, to December 31, 2021. During our current examination, we tested 23 expenditures totaling \$320,957.65 and found that the municipality made one expenditure of \$2,600.00 during 2022 from the Liquid Fuels Tax Fund for salt brine used for dust control, which is a non-permissible expenditure.

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 salt brine used for dust control, are outside the scope of permissible expenditures.

We were unable to determine the cause of this condition.

On November 8, 2022, the municipality reimbursed \$2,600.00 to the Liquid Fuels Tax Fund.

Recommendation

We again 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 municipal officials offered no formal response at this time.

Auditor's Conclusion

This is a recurring finding. We strongly recommend that the municipality comply with our recommendation. During our next examination, we will determine if the municipality complied with our recommendation.

TOWNSHIP OF SALEM
CLARION COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF PRIOR EXAMINATIONS' RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

Summary Of 2015-2018 Examination Recommendation

In our 2015-2018 report, we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$156,340.07 to its Liquid Fuels Tax Fund. This amount consisted of \$119,213.90 for failing to maintain documentation supporting transfers and \$37,126.17 for failing to maintain documentation for price quotations.

During our 2019-2021 examination, we reviewed a letter dated April 28, 2020, from the Department of Transportation directing the municipality to reimburse \$37,126.17 of the \$156,340.07 to its Liquid Fuels Tax Fund. We noted that the municipality made reimbursements totaling \$17,050.00 during 2019 and \$10,038.08 during 2020.

During our current examination, we reviewed a letter dated March 30, 2022, from the Department of Transportation acknowledging receipt of the municipality's reimbursement to the Liquid Fuels Tax Fund of the remaining \$10,038.09, which was deposited on January 4, 2022. Per the letter, the reimbursement plan has been paid in full.

Summary Of 2019-2021 Examination Recommendations

In our 2019-2021 report, we recommended that the Department of Transportation review our examination findings to determine if the municipality should reimburse \$65,954.40 to its Liquid Fuels Tax Fund. This amount consists of \$10,000.00 for an undocumented transfer, \$39,274.80 for not obtaining project approval, and \$16,679.60 for failure to maintain documentation for price quotations.

During our current examination, we reviewed a letter dated July 12, 2023, from the Department of Transportation directing the municipality to reimburse \$65,954.40 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on August 8, 2023.

TOWNSHIP OF SALEM
CLARION COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF PRIOR EXAMINATIONS' RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

Summary Of 2019-2021 Examination Recommendations (Continued)

In our prior report, we also recommended:

- The municipality maintain adequate documentation to support all transfers.
- Before the municipality expends money on a project, it applies for and obtains prior approval for the projects, and when the project is completed, it obtains approval of the completed work.
- The municipality comply with *The Second Class Township Code* in regard to obtaining and maintaining documentation for price quotations.
- The municipality complies with the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations regarding permissible expenditures.

During our current examination, we noted that the municipality complied with our first, second, and third bulleted recommendations, but did not comply with our fourth bulleted recommendation (see Finding No. 5).

TOWNSHIP OF SALEM
CLARION COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF ONSITE CLOSEOUT MEETING
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

An onsite closeout meeting was held October 14, 2025. Those participating were:

TOWNSHIP OF SALEM

Ms. Wendy Simpson, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Veronica McNutt, Auditor

TOWNSHIP OF SALEM
CLARION COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

This report was initially distributed to:

The Honorable Michael Carroll
Secretary
Department of Transportation

Township of Salem
Clarion County
57 Community Road
Emlenton, PA 16373

The Honorable Derek Wade
Chairman of the Board of Supervisors

Ms. Wendy Simpson
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.