

ATTESTATION ENGAGEMENT

Township of Sugarloaf
Columbia County, Pennsylvania
19-224

Liquid Fuels Tax Fund
For the Period
January 1, 2019 to December 31, 2021

November 2024



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Independent Auditor's Report

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

We examined the accompanying Forms MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Township of Sugarloaf, Columbia County, for the period January 1, 2019 to December 31, 2021. 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 documentation to support check No. 1601, dated July 30, 2019, for \$10,000.00 (see Finding No. 1).
- During 2019 the municipality failed to maintain supporting documentation for payroll expenditures totaling \$5,580.00 (see Finding No. 2).
- On August 25, 2021, the municipality expended \$15,773.48 from its Liquid Fuels Tax Fund for a payment toward the purchase of a loader/backhoe that was not properly bid (see Finding No. 3).
- During 2019 the municipality expended \$11,375.68 from its Liquid Fuels Tax Fund to pay for various materials that were purchased in 2018, which are retroactive expenditures (see Finding No. 4).
- The 2021 Liquid Fuels Tax Fund allocation of \$124,037.36 was not received until November 23, 2022, which was subsequent to our examination period (see Finding No. 5).

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 Sugarloaf, Columbia County, for the period January 1, 2019 to December 31, 2021, 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; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the Forms MS-965. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Forms MS-965 are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over reporting on the Forms MS-965 or on compliance and other matters; accordingly, we express no such opinions.

Independent Auditor's Report (Continued)

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

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

- Documentation Supporting An Expenditure Was Not Available For Examination.
- Documentation Supporting Payroll Expenditures Was Not Available For Examination.

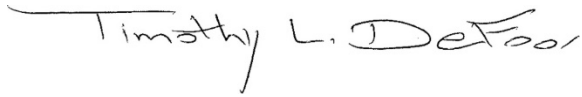
As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Township of Sugarloaf, Columbia County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

- Noncompliance With Advertising And Bidding Requirements.
- Retroactive Expenditures.
- Late Receipt Of Liquid Fuels Allocations And Untimely Deposit Of Liquid Fuels And Turnback Allocations.
- A Complete Record Of Township Meeting Minutes Was Not Available For Examination.

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 Sugarloaf, Columbia County, to us during the course of our examination. If you have any questions, please feel free to contact the Bureau of County Audits at 717-787-1363.

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

Timothy L. DeFoor
Auditor General
August 20, 2024

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TOWNSHIP OF SUGARLOAF
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

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 SUGARLOAF
 SCHUYLKILL COUNTY
 LIQUID FUELS TAX FUND
 BACKGROUND
 FOR THE PERIOD
 JANUARY 1, 2019 TO DECEMBER 31, 2021

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:

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

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

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

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

TOWNSHIP OF SUGARLOAF
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

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 SUGARLOAF
COLUMBIA COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

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 SUGARLOAF
COLUMBIA COUNTY
LIQUID FUELS TAX FUND
2019 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ 14,500.00	\$ -	\$ 14,500.00
Computer/Computer related training	-	-	-
Major equipment purchases	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	11,235.99	-	11,235.99
Traffic control devices	1,225.00	-	1,225.00
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	21,988.35	-	21,988.35
Maintenance and repair of roads and bridges	86,121.45	-	86,121.45
Highway construction and rebuilding projects	107,376.25	-	107,376.25
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 242,447.04</u>	 <u>\$ -</u>	 <u>\$ 242,447.04</u>

TOWNSHIP OF SUGARLOAF
COLUMBIA COUNTY
LIQUID FUELS TAX FUND
2019 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, 2019	\$ 80,345.31	\$ -	\$ 80,345.31
Receipts:			
2. State allocation	137,363.94	-	137,363.94
2a. Turnback allocation	39,520.00	-	39,520.00
2b. Interest on investments	855.03	-	855.03
2c. Miscellaneous	-	-	-
3. Total receipts	<u>177,738.97</u>	<u>-</u>	<u>177,738.97</u>
4. Total funds available	<u>258,084.28</u>	<u>-</u>	<u>258,084.28</u>
5. Expenditures (Section 1)	<u>242,447.04</u>	<u>-</u>	<u>242,447.04</u>
6. Balance, December 31, 2019	<u><u>\$ 15,637.24</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 15,637.24</u></u>

TOWNSHIP OF SUGARLOAF
COLUMBIA COUNTY
LIQUID FUELS TAX FUND
2019 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	\$ 70,905.47	\$ -	\$ 70,905.47
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	35,376.79	-	35,376.79
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	106,282.26	-	106,282.26
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>106,282.26</u>	<u>-</u>	<u>106,282.26</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 15,637.24</u>	<u>\$ -</u>	<u>\$ 15,637.24</u>

TOWNSHIP OF SUGARLOAF
COLUMBIA 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	\$ 32.50	\$ -	\$ 32.50
Computer/Computer related training	-	-	-
Major equipment purchases	16,000.00	-	16,000.00
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	3,266.82	-	3,266.82
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	20,052.90	-	20,052.90
Maintenance and repair of roads and bridges	103,491.24	-	103,491.24
Highway construction and rebuilding projects	40,163.17	-	40,163.17
Miscellaneous	50,000.00	-	50,000.00
 Total (To Section 2, Line 5)	 <u>\$ 233,006.63</u>	 <u>\$ -</u>	 <u>\$ 233,006.63</u>

TOWNSHIP OF SUGARLOAF
COLUMBIA 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	\$ 15,637.24	\$ -	\$ 15,637.24
Receipts:			
2. State allocation	133,650.61	-	133,650.61
2a. Turnback allocation	39,520.00	-	39,520.00
2b. Interest on investments	104.58	-	104.58
2c. Miscellaneous	100,069.29	-	100,069.29
3. Total receipts	<u>273,344.48</u>	<u>-</u>	<u>273,344.48</u>
4. Total funds available	<u>288,981.72</u>	<u>-</u>	<u>288,981.72</u>
5. Expenditures (Section 1)	<u>233,006.63</u>	<u>-</u>	<u>233,006.63</u>
6. Balance, December 31, 2020	<u><u>\$ 55,975.09</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 55,975.09</u></u>

TOWNSHIP OF SUGARLOAF
COLUMBIA 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	\$ 15,637.24	\$ -	\$ 15,637.24
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	34,634.12	-	34,634.12
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	50,271.36	-	50,271.36
5. Less: Major equipment expenditures	16,000.00	-	16,000.00
6. Remainder	<u>34,271.36</u>	<u>-</u>	<u>34,271.36</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 34,271.36</u>	<u>\$ -</u>	<u>\$ 34,271.36</u>

TOWNSHIP OF SUGARLOAF
COLUMBIA 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	\$ 3,200.00	\$ 3,078.90	\$ 6,278.90
Computer/Computer related training	-	-	-
Major equipment purchases	15,773.48	-	15,773.48
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	4,668.64	-	4,668.64
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	29,920.31	-	29,920.31
Maintenance and repair of roads and bridges	69,196.09	(3,078.90)	66,117.19
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 122,758.52</u>	<u>\$ -</u>	<u>\$ 122,758.52</u>

TOWNSHIP OF SUGARLOAF
COLUMBIA 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	\$ 55,975.09	\$ -	\$ 55,975.09
Receipts:			
2. State allocation	-	-	-
2a. Turnback allocation	39,520.00	-	39,520.00
2b. Interest on investments	151.91	-	151.91
2c. Miscellaneous	<u>50,000.00</u>	<u>-</u>	<u>50,000.00</u>
3. Total receipts	<u>89,671.91</u>	<u>-</u>	<u>89,671.91</u>
4. Total funds available	<u>145,647.00</u>	<u>-</u>	<u>145,647.00</u>
5. Expenditures (Section 1)	<u>122,758.52</u>	<u>-</u>	<u>122,758.52</u>
6. Balance, December 31, 2021	<u><u>\$ 22,888.48</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 22,888.48</u></u>

TOWNSHIP OF SUGARLOAF
COLUMBIA 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	\$ 34,271.36	\$ -	\$ 34,271.36
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	7,904.00	-	7,904.00
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	42,175.36	-	42,175.36
5. Less: Major equipment expenditures	<u>15,773.48</u>	<u>-</u>	<u>15,773.48</u>
6. Remainder	<u>26,401.88</u>	<u>-</u>	<u>26,401.88</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 22,888.48</u>	<u>\$ -</u>	<u>\$ 22,888.48</u>

TOWNSHIP OF SUGARLOAF
 COLUMBIA COUNTY
 LIQUID FUELS TAX FUND
 AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
 FOR THE PERIOD
 JANUARY 1, 2019 TO DECEMBER 31, 2021

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

Adjustments were made to “Minor equipment purchases” and “Maintenance and repair of roads and bridges” because expenditures of \$3,078.90 were misclassified.

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>2020</u>	<u>2021</u>
General Fund	Grants	\$ 50,000.00	\$50,000.00
LFTF	Bank fee reimbursement	69.29	-
General Fund	Loan	50,000.00	-
	Totals	<u>\$100,069.29</u>	<u>\$50,000.00</u>

Temporary Loan

On July 14, 2020, the municipality loaned \$50,000.00 from its General Fund to its Liquid Fuels Tax Fund. On December 28, 2020, the municipality transferred \$50,000.00 from its Liquid Fuels Tax Fund to its General Fund to repay the temporary loan.

TOWNSHIP OF SUGARLOAF
COLUMBIA COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

Lease-Purchase Agreement

On August 25, 2021, the municipality entered into a lease-purchase agreement with Caterpillar financial to purchase a used 2015 Caterpillar 420F loader/backhoe for \$60,000.00 plus \$400.00 document fee. The agreement was for a term of 5 years at an interest rate of 2.98 percent. Principal and interest payments of \$15,773.48 are due annually.

During the current examination period the municipality paid principal of \$15,773.48 from the Liquid Fuels Tax Fund. This amount is reflected in major equipment purchases on the 2021 Forms MS-965 - Section 1. The outstanding balance of the lease-purchase agreement as of December 31, 2021 was \$44,626.52, plus interest. Because the loader/backhoe was not properly bid, Liquid Fuels Tax Fund money should not be used to repay the loan (see Finding No. 3).

TOWNSHIP OF SUGARLOAF
COLUMBIA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

Finding No. 1 - Documentation Supporting An Expenditure Was Not Available For Examination

Our examination disclosed that the municipality did not maintain documentation to support check No. 1601, dated July 30, 2019, for \$10,000.00 paid to another municipality. The municipality had no invoice, bill of sale, or any other supporting documentation for this expenditure.

Good internal control procedures ensure that there is documentation to support all expenditures.

The Liquid Fuels Tax Municipal Allocation Law, 72 P.S. § 2615.4, provides, in part, that monies herein allocated may be used only for construction, reconstruction, maintenance and repairs of such public roads or streets, including bridges, culverts and drainage structures, for which they are legally responsible. Also permitted are expenditures involving acquisition, maintenance, repairs and operation of street signs, traffic signs, traffic signal control systems, road equipment, and snow fences.

The Department of Transportation has been statutorily authorized to promulgate regulations concerning the administration of Liquid Fuels Tax Fund money and has determined that certain items, including expenditures made without supporting documentation, are outside the scope of permissible expenditures.

Without adequate documentation, we could not determine if the expenditures were permissible according to the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations.

We were unable to determine the cause of this condition.

The failure to maintain documentation to support expenditures could result in the municipality having to reimburse \$10,000.00 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$10,000.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the municipality ensure good internal control over expenditures by maintaining adequate documentation to support all expenditures.

TOWNSHIP OF SUGARLOAF
COLUMBIA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

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

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

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

TOWNSHIP OF SUGARLOAF
COLUMBIA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

Finding No. 2 - Documentation Supporting Payroll Expenditures Was Not Available For Examination

Our examination disclosed that the municipality expended \$5,580.00 during 2019 from the Liquid Fuels Tax Fund for payroll. However, the municipality did not maintain daily payroll time sheets identifying the nature of work performed and the location of work assignments.

Good internal control procedures over payroll ensure that there is documentation identifying the nature of the work performed and location of work assignments.

The Liquid Fuels Tax Municipal Allocation Law, 72 P.S. § 2615.4, provides, in part, that monies herein allocated may be used only for construction, reconstruction, maintenance and repairs of such public roads or streets, including bridges, culverts and drainage structures, for which they are legally responsible. Also permitted are expenditures involving acquisition, maintenance, repairs and operation of street signs, traffic signs, traffic signal control systems, road equipment, and snow fences.

The Department of Transportation has been statutorily authorized to promulgate regulations concerning the administration of Liquid Fuels Tax Fund money and has determined that certain items, including expenditures made without supporting documentation, are outside the scope of permissible expenditures.

Without 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 the payroll expenditures were permissible according to the Liquid Fuels Tax Municipal Allocation Law.

We were unable to determine the cause of this condition.

The failure to maintain documentation of payroll expenditures as noted above could result in the municipality having to reimburse \$5,580.00 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$5,580.00 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.

TOWNSHIP OF SUGARLOAF
COLUMBIA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

Finding No. 2 - Documentation Supporting Payroll Expenditures Was Not Available For Examination (Continued)

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

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

TOWNSHIP OF SUGARLOAF
COLUMBIA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

Finding No. 3 - Noncompliance With Advertising And Bidding Requirements

Our examination disclosed that on July 7, 2021, the borough entered into a lease-purchase agreement with Caterpillar financial to purchase a used 2015 Caterpillar 420F loader/backhoe for \$60,000.00. However, the borough failed to advertise for bids for the loader/backhoe. The first payment on the lease-purchase agreement of \$15,773.48 was made on August 25, 2021, from the Liquid Fuels Tax Fund.

The above expenditure was not made in compliance with the advertising, bidding, and contract requirements of *The Borough Code*, 53 P.S. § 46402(a), (also found at § 1402(a) of *The Borough Code* as published by the Local Government Commission), which requires that purchases made over \$18,500.00 during 2012 must be advertised, bid, and awarded by contract. The bidding threshold increased to purchases over \$21,300.00 for 2021, \$21,900.00 for 2022, \$22,500.00 for 2023, and \$23,200.00 for 2024. *The Borough Code*, 53 P.S. § 46403(a), (also found at § 1403(a) of *The Borough Code* as published by the Local Government Commission) further states that advertising, bidding and contract requirements should not be evaded through piecemeal purchases.

The failure to comply with *The Borough Code* could result in the borough having to reimburse \$15,773.48 to its Liquid Fuels Tax Fund.

We were unable to determine the cause of this condition.

Recommendations

We recommend that the borough reimburse \$15,773.48 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the borough comply with *The Borough Code* as noted in this finding.

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

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

TOWNSHIP OF SUGARLOAF
COLUMBIA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

Finding No. 4 - Retroactive Expenditures

Our examination disclosed that on March 1, 2019, the municipality expended \$11,375.68 for various materials purchased on October 19, 2018 and November 2, 2018, which are retroactive expenditures.

The Department of Transportation's *Publication 9* contains the policies and procedures for the administration of the Liquid Fuels Tax Fund. *Publication 9*, Chapter Two, Section 2.7.2, states, in relevant part:

Examples of what Liquid Fuels Tax Fund monies may not be expended for are:

16. Retroactive expenditures or repayment of other funds for prior period expenditures.

Because these expenditures were incurred on October 19, 2018 and November 2, 2018, and were not paid until March 1 2019, the expenditures incurred were not paid in a reasonable period of time. Therefore, the municipality did not comply with the Department of Transportation's *Publication 9*.

A municipal official informed us that this condition occurred because the municipality was waiting for its Turnback allocation to be received.

The failure to follow the Department of Transportation's *Publication 9* as noted above could result in the municipality having to reimburse \$11,375.68 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$11,375.68 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 *Publication 9* as noted above.

Management's Response

The municipal officials offered no formal response at this time.

TOWNSHIP OF SUGARLOAF
COLUMBIA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

Finding No. 4 - Retroactive Expenditures (Continued)

Auditor's Conclusion

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

TOWNSHIP OF SUGARLOAF
COLUMBIA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

Finding No. 5 - Late Receipt Of Liquid Fuels Allocations And Untimely Deposit Of Liquid Fuels And Turnback Allocations

Our current examination disclosed the 2019 Liquid Fuels Tax Fund allocation of \$137,363.94, the 2020 Liquid Fuels Allocation of 133,650.61, and the 2021 Liquid Fuels Allocation of \$124,037.36, each of which should have been received during the first week in March of each year, had not been received until September 4, 2019, September 21, 2020, and November 23, 2022, respectively, because the municipality failed to comply with the Department of Transportation's *Publication 9*, Chapter Two, Section 2.4, which states:

To qualify for the annual liquid fuels tax allocation, a municipality shall:

- Submit annual reports (MS-965, Actual Use Report, MS-965P, Project and Miscellaneous Receipts, and MS-965S, Record of Checks).
- Make deposits and payments or expenditures in compliance with the Act 655. Failure to do so may result in not receiving allocations from PENNDOT until all discrepancies are resolved.
- 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.
- Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.
- 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.

Because the municipality failed to file documents and information timely as noted above, the municipality did not have use of the 2019 Liquid Fuels Tax Fund allocation for more than 6 months, the 2020 Liquid Fuels Tax Fund allocation more than 6 months, and the 2021 Liquid Fuels Tax Fund allocation more than 20 months.

TOWNSHIP OF SUGARLOAF
COLUMBIA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

Finding No. 5 - Late Receipt Of Liquid Fuels Allocations And Untimely Deposit Of Liquid Fuels And Turnback Allocations (Continued)

We further noted that the 2020 Liquid Fuels Tax Fund allocation was not deposited into the Liquid Fuels Tax Fund until September 29, 2020, which was eight days after receipt. Additionally, the 2019, 2020, and 2021 turnback allocations, each totaling \$35,520.00, which were received on March 1st of each year, were not deposited into the Liquid Fuels Tax Fund until March 18, 2019, March 17, 2020, March 12, 2021, respectively. We were unable to determine why the allocations were deposited late.

Good internal control procedures require that all funds received be deposited immediately upon receipt. The failure to do so increases the risk that errors and misappropriations may occur and remain undetected.

Furthermore, had the allocations been received and deposited timely, money may have been available for investment purposes, potentially earning interest income which could have been used for road maintenance and repairs.

Recommendations

We recommend that the municipality comply with the Department of Transportation's *Publication 9* to ensure that the allocations are received timely.

We also recommend that the municipality deposit all allocations immediately upon receipt.

In addition, the municipal officials should consider using the electronic transfer of funds offered by the Department of Transportation.

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

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

TOWNSHIP OF SUGARLOAF
COLUMBIA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

Finding No. 6 - A Complete Record Of Township Meeting Minutes Was Not Available For Examination

Our examination disclosed that the minutes reflecting township meetings were not available at the examination site for the period January 1, 2019 to December 31, 2020.

The Second Class Township Code, § 802, states:

Secretary's Duties. The township secretary/treasurer is a clerk to the board of supervisors. The township secretary shall:

- (1) Record the proceedings of the board of supervisors and all court orders relative to the laying out, opening and vacating of roads in a minute book.
- (2) Preserve the minute book and other records and turn them over to the successor in office.
- (3) With the consent of the board of supervisors and in conformity with other laws governing the retention and disposition of municipal records, have the authority to destroy records and papers of the township other than the minute book and account book after the lapse of six years from the date of the records.
- (4) Inform supervisors of all township meetings, including special meetings of the board of supervisors.

The primary purpose of the minutes is to provide an official record of council meetings. Without a complete record of readable minutes, members of the public could not review minutes of the township's meetings, which reduced the transparency of the township's operations.

We were unable to determine the cause of this condition.

Recommendation

We recommend that transcribed minutes for township meetings be available for public review within a reasonable period of time after each meeting.

Management's Response

The municipal officials offered no formal response at this time.

TOWNSHIP OF SUGARLOAF
COLUMBIA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

Finding No. 6 - A Complete Record Of Township Meeting Minutes Was Not Available For Examination (Continued)

Auditor's Conclusion

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

TOWNSHIP OF SUGARLOAF
COLUMBIA COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF ONSITE CLOSEOUT MEETING
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

An onsite closeout meeting was held February 20, 2024. Those participating were:

TOWNSHIP OF SUGARLOAF

Ms. Terri Adams, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Brian Dries, Auditor

Mr. Ian Johnson, Auditor

TOWNSHIP OF SUGARLOAF
COLUMBIA COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

This report was initially distributed to:

The Honorable Michael Carroll
Secretary
Department of Transportation

Township of Sugarloaf
Columbia County
90 Schoolhouse Road
Benton, PA 17814

The Honorable Billy Bierbach
Chairman of the Board of Supervisors

Ms. Terri Adams
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.