



TOWNSHIP OF BETHEL  
DELAWARE COUNTY  
23-201

LIQUID FUELS TAX FUND  
EXAMINATION REPORT

FOR THE THREE YEARS ENDED  
DECEMBER 31, 2006



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TOWNSHIP OF BETHEL  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE THREE YEARS ENDED  
DECEMBER 31, 2006

Background

The Liquid Fuels Tax Municipal Allocation Law, Title 72 P.S. § 2615.5, provides municipalities other than counties (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: (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.

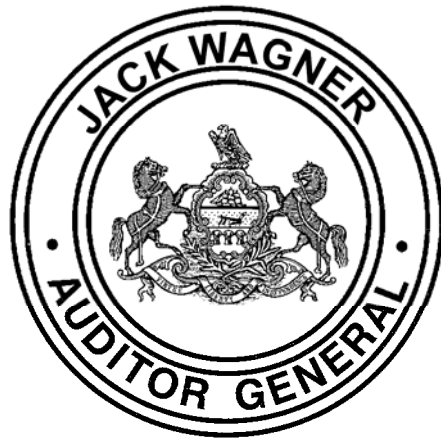
*The Vehicle Code*, Title 75 P.S. § 9511, provides municipalities with annual maintenance payments to be received from the Motor License Fund for functionally local highways that were transferred to a municipality from the Commonwealth of Pennsylvania.

Each municipality must deposit the Liquid Fuels Tax Fund money and annual maintenance payments that it receives into a special fund called 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 this 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. To qualify for its annual allocation, each municipality shall submit the following documents and information to the Department of Transportation:

1. Evidence that the treasurer is bonded in accordance with the law, or that its treasurer is a bank requiring no bond by January 31 of each year.
2. A report indicating the manner in which its liquid fuels tax allocation was expended in the previous year (Form MS-965) by January 31 of each year.
3. A report of elected and appointed officials by January 31 of each year.
4. A Survey of Financial Condition by March 15 of each year.

Department of Transportation *Publication 9* contains the policies and procedures that govern the use of Liquid Fuels Tax Fund money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.



## Independent Auditor's Report

The Honorable Allen D. Biehler, P.E.  
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 Bethel, Delaware County, for the three years ended December 31, 2006. The municipality's management is responsible for the Forms MS-965. 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. An examination includes examining, on a test basis, evidence supporting the Township of Bethel, Delaware County's Forms MS-965 for the three years ended December 31, 2006 and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

We are mandated by Section 403 of *The Fiscal Code*, 72 P.S. § 403, to audit each municipality's Liquid Fuels Tax Fund to ensure that funds received are expended in accordance with applicable laws and regulations. *Government Auditing Standards* issued by the Comptroller General of the United States include attestation engagements as a separate type of audit. An attestation engagement performed pursuant to *Government Auditing Standards* involves additional standards that exceed the standards provided by the American Institute of Certified Public Accountants. Accordingly, this attestation engagement complies with both *Government Auditing Standards* and Section 403 of *The Fiscal Code*.

As described in Note 4, the adjustments included on the Forms MS-965 With Adjustments are made by the Department of the Auditor General.

### Independent Auditor's Report (Continued)

As discussed in Finding No. 1, the township expended \$105,214.10 in 2004 from its Liquid Fuels Tax Fund for milling and paving in excess of one inch without obtaining project approval. Additionally, as discussed in Finding No. 4, the township expended \$7,099.20 in 2004 and \$7,000.00 in 2005 from the Liquid Fuels Tax Fund without maintaining supporting documentation.

In our opinion, except for the matters discussed in the preceding paragraph, the Forms MS-965 With Adjustments present, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund of the Township of Bethel, Delaware County, for the three years ended December 31, 2006, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to Forms MS-965 and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether 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 Forms MS-965 or on compliance and other matters; accordingly, we express no such opinion. Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards* and those findings are described in the Findings and Recommendations section of this report as Findings Nos. 1, 2, and 4. We further noted an other matter which is described in the Findings and Recommendations section of this report as Finding No. 3.

We are concerned in light of the municipality's failure to correct a previously reported finding regarding supporting documentation for expenditures that was not available for examination. During our current examination, the municipality failed to obtain project approval, documentation supporting expenditures was not available for examination, the equipment purchase tally was overexpended, and the allocation was received late. The municipality should strive to implement the recommendations and corrective actions noted in this report.

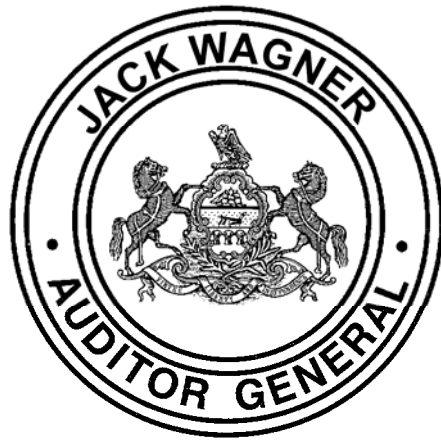


Independent Auditor's Report (Continued)

This report is intended solely for the information and use of the Pennsylvania Department of Transportation and the management of the Township of Bethel, Delaware County, and is not intended to be and should not be used by anyone other than these specified parties.

September 14, 2007

JACK WAGNER  
Auditor General



TOWNSHIP OF BETHEL  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 2004 FORM MS-965 – SECTION 1  
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 74,415.88	\$ -	\$ 74,415.88
Minor equipment purchases	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	4,193.31	-	4,193.31
Street lighting	1,330.75	-	1,330.75
Storm sewers and drains	-	-	-
Repairs of tools and machinery	8,983.64	-	8,983.64
Maintenance and repair of roads and bridges	19,431.39	-	19,431.39
Highway construction and rebuilding projects	105,214.10	-	105,214.10
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 213,569.07</u>	 <u>\$ -</u>	 <u>\$ 213,569.07</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF BETHEL  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 2004 FORM MS-965 – SECTION 2  
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2004	\$ 209,698.42	\$ 103.36	\$ 209,801.78
Receipts:			
2. State allocation	100,641.05	-	100,641.05
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	582.34	-	582.34
2c. Miscellaneous (Note 5)	35,058.36	(103.36)	34,955.00
3. Total receipts	<u>136,281.75</u>	<u>(103.36)</u>	<u>136,178.39</u>
4. Total funds available	<u>345,980.17</u>	<u>-</u>	<u>345,980.17</u>
5. Expenditures (Section 1)	<u>213,569.07</u>	<u>-</u>	<u>213,569.07</u>
6. Balance, December 31, 2004	<u><u>\$ 132,411.10</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 132,411.10</u></u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF BETHEL  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 2004 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	\$ 59,661.25	\$ -	\$ 59,661.25
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	20,128.21	-	20,128.21
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	79,789.46	-	79,789.46
5. Less: Major equipment expenditures	74,415.88	-	74,415.88
6. Remainder	<u>5,373.58</u>	<u>-</u>	<u>5,373.58</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 5,373.58</u>	<u>\$ -</u>	<u>\$ 5,373.58</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF BETHEL  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 2005 FORM MS-965 – SECTION 1  
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 38,675.00	\$ -	\$ 38,675.00
Minor equipment purchases	7,545.23	-	7,545.23
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	8,158.66	-	8,158.66
Traffic control devices	2,097.63	-	2,097.63
Street lighting	2,626.32	(2.79)	2,623.53
Storm sewers and drains	-	-	-
Repairs of tools and machinery	13,864.55	5,999.00	19,863.55
Maintenance and repair of roads and bridges	24,952.83	(3,716.51)	21,236.32
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Note 6)	-	10,156.43	10,156.43
 Total (To Section 2, Line 5)	 <u>\$ 97,920.22</u>	 <u>\$ 12,436.13</u>	 <u>\$ 110,356.35</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF BETHEL  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 2005 FORM MS-965 – SECTION 2  
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2005	\$ 132,411.10	\$ -	\$ 132,411.10
Receipts:			
2. State allocation	103,401.29	-	103,401.29
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	4,430.71	-	4,430.71
2c. Miscellaneous	<u>12,621.00</u>	<u>(12,621.00)</u>	<u>-</u>
3. Total receipts	<u>120,453.00</u>	<u>(12,621.00)</u>	<u>107,832.00</u>
4. Total funds available	<u>252,864.10</u>	<u>(12,621.00)</u>	<u>240,243.10</u>
5. Expenditures (Section 1)	<u>97,920.22</u>	<u>12,436.13</u>	<u>110,356.35</u>
6. Balance, December 31, 2005	<u>\$ 154,943.88</u>	<u>\$ (25,057.13)</u>	<u>\$ 129,886.75</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF BETHEL  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 2005 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	\$ 5,373.58	\$ -	\$ 5,373.58
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	20,680.25	-	20,680.25
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	26,053.83	-	26,053.83
5. Less: Major equipment expenditures	38,675.00	-	38,675.00
6. Remainder	<u>(12,621.17)</u>	<u>-</u>	<u>(12,621.17)</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>

Notes to Forms MS-965 With Adjustments are an integral part of this report.



TOWNSHIP OF BETHEL  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 2006 FORM MS-965 – SECTION 1  
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	4,161.94	-	4,161.94
Traffic control devices	2,461.68	-	2,461.68
Street lighting	2,629.86	-	2,629.86
Storm sewers and drains	-	-	-
Repairs of tools and machinery	4,866.49	-	4,866.49
Maintenance and repair of roads and bridges	124,144.71	-	124,144.71
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Note 6)	25,018.93	-	25,018.93
 Total (To Section 2, Line 5)	 <u>\$ 163,283.61</u>	 <u>\$ -</u>	 <u>\$ 163,283.61</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF BETHEL  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 2006 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	\$ -	\$ -	\$ -
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	22,133.21	-	22,133.21
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	22,133.21	-	22,133.21
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>22,133.21</u>	<u>-</u>	<u>22,133.21</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 22,133.21</u>	<u>\$ -</u>	<u>\$ 22,133.21</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF BETHEL  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE THREE YEARS ENDED  
DECEMBER 31, 2006

1. Criteria

Section 1

This section 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 that cost in excess of \$4,000.00.
- Minor equipment purchases are purchases of road machinery and road equipment that cost \$4,000.00 or less.
- Agility projects are exchanges of services with the Department of Transportation.

Section 2

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

- The state allocation is generally received from the Department of Transportation during the first week in April of each year. The amount the municipality receives is based half on its population and half on its road mileage.
- The turnback allocation is generally received from the Department of Transportation during the first week in April of each year. A municipality receives a yearly turnback allocation based on road mileage for all roads that were transferred to the municipality from the Commonwealth of Pennsylvania through the Highway Transfer Program.
- Expenditures include the total transferred from Section 1.

Section 3

This section 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.

TOWNSHIP OF BETHEL  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE THREE YEARS ENDED  
DECEMBER 31, 2006

1. Criteria (Continued)

Section 3 (Continued)

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.

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 Forms MS-965 have 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 Forms 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 are 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.

TOWNSHIP OF BETHEL  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE THREE YEARS ENDED  
DECEMBER 31, 2006

1. Criteria (Continued)

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.

2. Deposits

*The Second Class Township Code*, Title 53 P.S. § 68204, authorizes the township to deposit its funds in the following:

- Deposits in savings accounts or time deposits, other than certificates of deposit or share accounts of institutions having their principal place of business in the Commonwealth of Pennsylvania and insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance. For any amount above the insured maximum, the depository shall pledge approved collateral.
- Certificates of deposit purchased from institutions insured by the FDIC or other like insurance to the extent that such accounts are so insured. For any amounts in excess of the insured maximum, such deposits shall be collateralized by a pledge or assignment of assets. Certificates of deposit may not exceed 20 percent of a bank's total capital surplus or 20 percent of a savings and loan's or savings bank's assets minus liabilities.

Deposits consist of receipts and deposits in a financial institution. Pennsylvania statutes require all deposits to be insured and, for any amount above the insured maximum, to be secured with approved collateral as defined.

There were no deposits exposed to custodial credit risk as of December 31, 2006. Custodial credit risk, as defined by GASB No. 40, includes deposits that are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the municipality's name.

TOWNSHIP OF BETHEL  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE THREE YEARS ENDED  
DECEMBER 31, 2006

2. Deposits (Continued)

Fund Balance

The fund balance as of December 31, 2006 consists of the following:

Cash	<u>\$97,368.62</u>
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3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in an interest-bearing account which earned \$582.34 during 2004, \$4,430.71 during 2005, and \$7,410.51 during 2006, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2004 - Section 2

An adjustment of \$103.36 was made to "Balance, January 1, 2004" because an incorrect fund balance was reported.

An adjustment of \$(103.36) was made to "Miscellaneous" because a voided check was reported as a receipt.

2005 - Section 1

An adjustment of \$(2.79) was made to "Street lighting" because these expenditures were overstated.

An adjustment of \$5,999.00 was made to "Repairs of tools and machinery" because these expenditures were understated.

An adjustment of \$(3,716.51) was made to "Maintenance and repair of roads and bridges" because these expenditures were overstated.

An adjustment of \$10,156.43 was made to "Miscellaneous" because payroll expenditures were not reported (see Note 6).

TOWNSHIP OF BETHEL  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
 FOR THE THREE YEARS ENDED  
 DECEMBER 31, 2006

4. Adjustments Continued

2005 - Section 2

An adjustment of \$(12,621.00) was made to “Miscellaneous” because this receipt was reported in 2005 but was not received until 2006.

5. 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>2004</u>	<u>2006</u>
General Fund	Reimbursement (Comment No. 1)	\$34,955.00	\$ -
General Fund	Reimbursement (Finding No. 2)	-	12,621.00
General Fund	Miscellaneous deposit	-	67.94
	Totals	<u>\$34,955.00</u>	<u>\$12,688.94</u>

6. Miscellaneous Expenditures

During 2005 and 2006 the township expended \$10,156.43 and \$25,018.93 from the Liquid Fuels Tax Fund for payroll.

TOWNSHIP OF BETHEL  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE THREE YEARS ENDED  
DECEMBER 31, 2006

Finding No. 1 - Failure To Obtain Project Approval

Our examination disclosed that \$105,214.10 was expended for milling and paving in excess of one inch on various township roads. Municipalities are required to obtain the approval of the Department of Transportation before paving of one inch thickness or greater is done. We further noted that the municipality did not file an application with the Department of Transportation for the project and also failed to submit specifications for approval.

The Department of Transportation *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 that nonpermissible expenditures include “Construction and reconstruction projects without prior PENNDOT approval.”

Additionally, *Publication 9*, Chapter Two, Section 2.8, states, in part:

The following criteria is used to determine when a project is required for work on local roads utilizing Liquid Fuels Tax Funds, when construction, reconstruction and/or resurfacing work exceeds one inch or more in depth as well as other activities.

Bituminous Surface:                    One inch thickness or greater

The failure to comply with the Department of Transportation *Publication 9* could result in the municipality having to reimburse \$105,214.10 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$105,214.10 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the municipality comply with the application, approval, and specification requirements of the Department of Transportation.

Management’s Response

The municipal officials offered no formal response at this time.



TOWNSHIP OF BETHEL  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 FINDINGS AND RECOMMENDATIONS  
 FOR THE THREE YEARS ENDED  
 DECEMBER 31, 2006

Finding No. 2 - Overexpended Equipment Purchase Tally

Our examination disclosed that the municipality expended \$12,621.17 in excess of the amount available for the purchase of equipment for the year ending December 31, 2005, as follows:

<u>2005</u>	<u>Actual</u>
1. Prior year equipment balance	\$ 5,373.58
2. Current year equipment allocation (20% of Lines 2 + 2A, Section 2)	20,680.25
3. PENNDOT approved adjustments	<u>-</u>
4. Total funds available for equipment acquisition	26,053.83
5. Less: Major equipment purchases	<u>38,675.00</u>
6. Amount overexpended for equipment – 2005	<u><u>\$(12,621.17)</u></u>

The Department of Transportation *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 and 20 percent of the current year’s Liquid Fuels Tax Fund allocations and any PENNDOT approved adjustments.

Subsequent Event

On January 21, 2006, the municipality reimbursed \$12,621.00 to the Liquid Fuels Tax Fund, which was \$.17 less than the amount overexpended for equipment.

Recommendation

We recommend that the municipality only expend up to the approved amount on equipment expenditures in accordance with the Department of Transportation *Publication 9*.

Management’s Response

The municipal officials offered no formal response at this time.

TOWNSHIP OF BETHEL  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE THREE YEARS ENDED  
DECEMBER 31, 2006

Finding No. 3 - Late Receipt Of Allocation

Our examination disclosed that the 2004 Liquid Fuels Tax Fund allocation, which should have been distributed during the first week of April was not received until November 15, 2004, because the municipality failed to comply with Department of Transportation Regulation 449.12, which requires the timely filing of particular documents and information, among them:

- Evidence that its treasurer is bonded in accordance with the law or that its treasurer is a bank requiring no bond.
- A report indicating the manner in which its Liquid Fuels Tax Fund was expended in the preceding year.
- Survey of financial condition.
- Roster of municipal officials.

Because the municipality failed to file documents and information timely as noted above, the municipality did not have use of the allocation for more than seven months. Furthermore, had the allocation been received timely, money may have been available for investment purposes, potentially earning interest income which could have been used for road maintenance and repairs.

Recommendation

We recommend that, in the future, the municipality comply with the Department of Transportation Regulation 449.12 to ensure that the allocations are received during the first week in April as outlined above.

Management's Response

The municipal officials offered no formal response at this time.

TOWNSHIP OF BETHEL  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE THREE YEARS ENDED  
DECEMBER 31, 2006

Finding No. 4 - Documentation Supporting Expenditures Was Not Available For Examination

Our examination disclosed that the township expended \$7,099.20 in 2004 and \$7,000.00 in 2005 from the Liquid Fuels Tax Fund without maintaining documentation to support the expenditures. The township could not provide invoices for these expenditures during the examination.

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 Regulations.

The failure to maintain documentation to support expenditures could result in the municipality having to reimburse \$14,099.20 to its Liquid Fuels Tax Fund.

A similar finding was also written in our prior report.

Recommendations

We recommend that the municipality reimburse \$14,099.20 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

Management's Response

The municipal officials offered no formal response at this time.

TOWNSHIP OF BETHEL  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
COMMENTS  
FOR THE THREE YEARS ENDED  
DECEMBER 31, 2006

Comment No. 1 - Summary Of 2001 Audit Recommendation

In our audit report for the two years ended December 31, 2001, we recommended that the Department of Transportation review our audit finding to determine if the municipality should reimburse \$34,955.00 to its Liquid Fuels Tax Fund for a failure to obtain project approval.

During our current examination we reviewed a letter dated January 7, 2003, from the Department of Transportation informing the municipality to reimburse \$34,955.00 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on October 1, 2004.

Comment No. 2 - Summary Of 2002-2003 Audit Recommendations

In our 2002-2003 report we recommended that the Department of Transportation review our audit finding to determine if the municipality should reimburse \$720.96 to its Liquid Fuels Tax Fund for expenditures paid without maintaining supporting documentation. A similar finding was also written in our current examination (see Finding No. 1).

During our current examination we reviewed a letter dated March 11, 2005, from the Department of Transportation informing the municipality that the reimbursement of \$720.96 would not be required.

TOWNSHIP OF BETHEL  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF EXIT CONFERENCE  
FOR THE THREE YEARS ENDED  
DECEMBER 31, 2006

An exit conference was held September 14, 2007. Those participating were:

TOWNSHIP OF BETHEL

Ms. Jacqui Guenther, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Vernon J. Brennan, Auditor

The results of the examination were presented and discussed in their entirety.

TOWNSHIP OF BETHEL  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
REPORT DISTRIBUTION  
FOR THE THREE YEARS ENDED  
DECEMBER 31, 2006

This report was initially distributed to:

The Honorable Allen D. Biehler, P.E.  
Secretary  
Department of Transportation

Township of Bethel  
Delaware County  
1092 Bethel Road  
Garnet Valley, PA 19061

The Honorable Sharon L. Hannum

Chairperson of the Board of Supervisors

Ms. Jacqui Guenther

Secretary/Treasurer

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. To view this report online or to contact the Department of the Auditor General, please access our web site at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us).