

ABCS OF LIQUID FUELS TAX FUNDS

KRISTEN SIMS ·· MAY 2024

GOALS OF THIS SESSION

- Provide an overview of Liquid Fuels (LF), including allocation methodology and allowable expenditures,
- Provide an overview of the support structure that is available to assist municipalities with their LF,
- Review Top Audit Findings from prior calendar year, and how to avoid them,
- Provide a list of resources to assist municipalities in dealing with the LF fund rules and regulations,
- To reiterate our open offer for assistance at any time, to any municipality, for any reason related to Liquid Fuels funds.



WHAT ARE LIQUID FUELS FUNDS?

- Pennsylvania's 2,559 local governments are responsible for approximately 78,000 miles of roads and 6,850 bridges.
- The Commonwealth provides money to municipalities for the local transportation system through the distribution of a portion of the oil company franchise tax collected on gas.



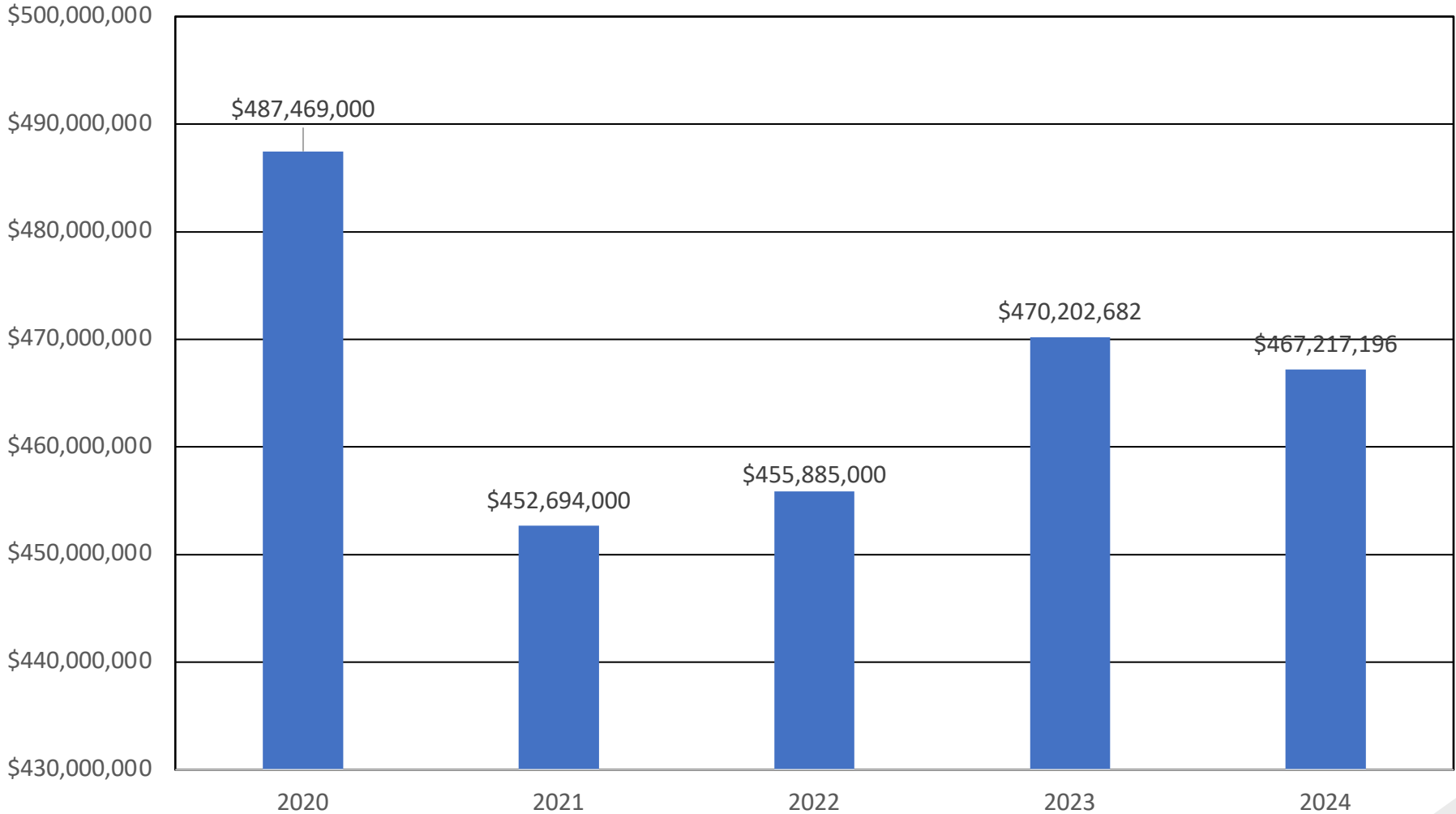
ALLOCATION METHODOLOGY

- The amount allocated to each municipality is based on the total municipal population and total municipal road mileage.
- The amount allocated to each county is based upon the county's average gas consumption over a set historical period



MLF ALLOCATION HISTORY

Municipal Liquid Fuels: 5-Year History



USE OF FUNDS

- Funds are to be used for the construction, maintenance, and repair of municipal roads and bridges
- Acceptable expenditures from the Liquid Fuels Tax Funds are outlined in Publication 9 – Policies and Procedures for the Administration of the County Liquid Fuels Tax Act of 1931 and The Liquid Fuels Tax Act 655 Dated 1956 and as Amended



ALLOWABLE EXPENDITURES

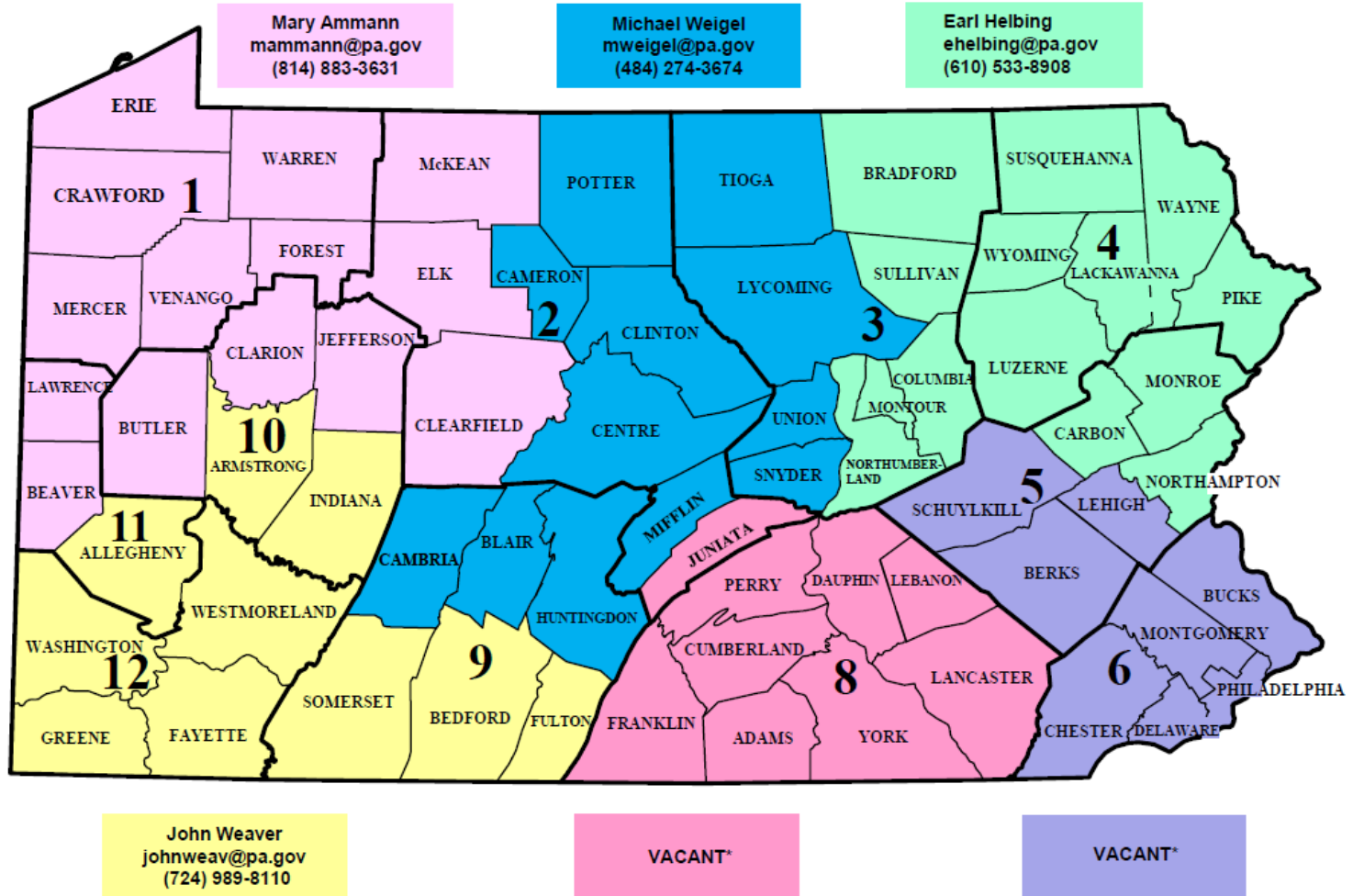
- Construction, reconstruction, maintenance, and repair of roads and bridges
- Culverts and drainage structures
- Costs associated with traffic signs and signals
- Street lighting
- Equipment used for these purposes
- Purchase of PennDOT-approved materials
- Winter maintenance activities (salt, plowing)
- Salary and benefit costs for road crews



FINANCIAL CONSULTANTS (FCS)

SERVICES FOR LOCAL GOVERNMENTS

FINANCIAL CONSULTANT COVERAGE AREAS



PENNDOT FCS

Your financial and reporting support. We are here for YOU.

- Municipal Services Financial Consultants
 - Help you prepare for an audit, assist in preparing your liquid fuels reports, clear audit findings, and provide individual/group training sessions.
- PennDOT Monitoring Reviews (MRs)
 - FCs will perform MRs to follow up on AG Findings and can also be done upon request by municipalities, central office management or district municipal services representatives. These are NOT audits – they are done to assist you in preparing for an audit.

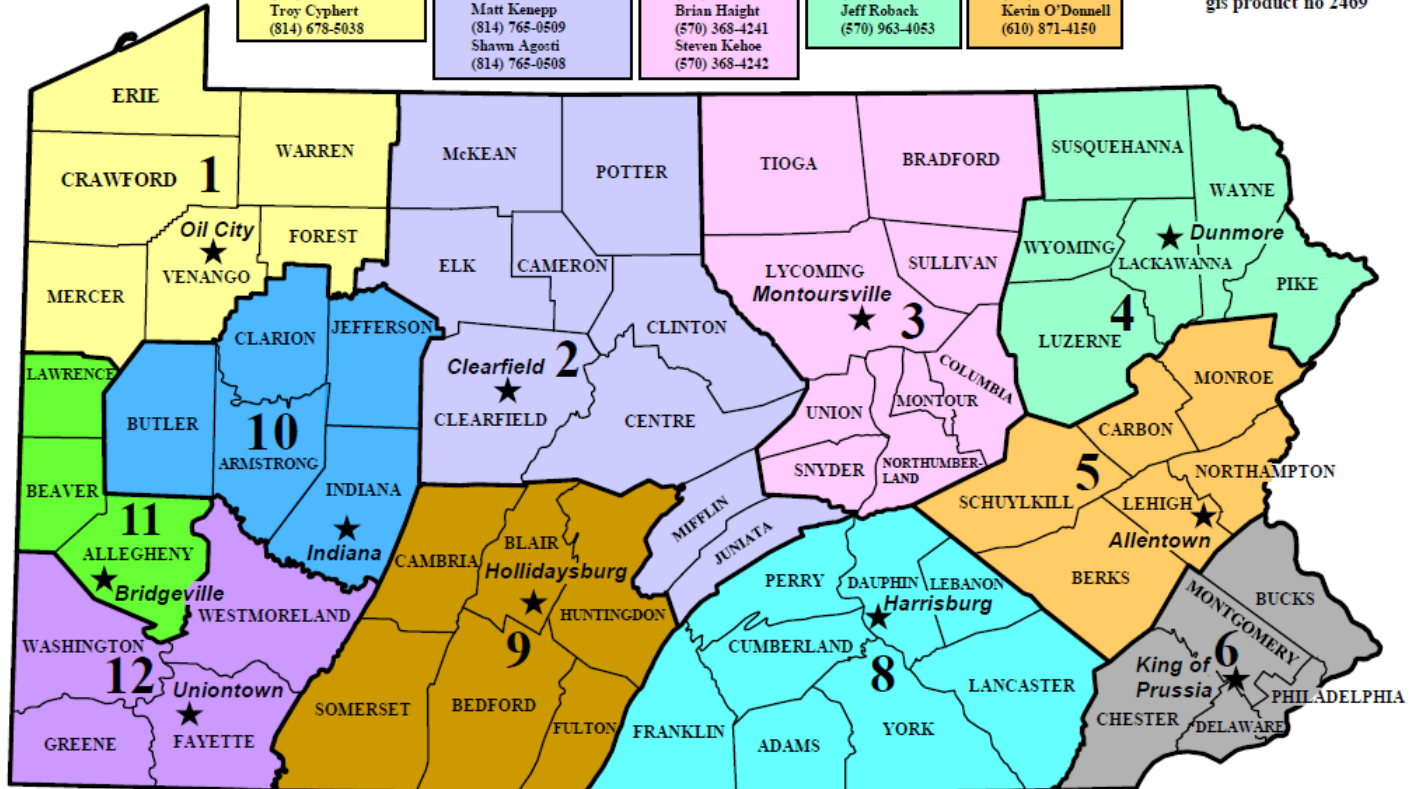


MUNICIPAL SERVICES REPRESENTATIVES (MSRS)

PennDOT DISTRICT MUNICIPAL SERVICES REPRESENTATIVES



1 Josh Montgomery* (814) 678-7142 Jon Wilson (814) 678-7094 Troy Cyphert (814) 678-5038	2 Randy Albert, P.E.* (814) 765-0408 Daren Stover (814) 765-0589 Matt Kenepp (814) 765-0509 Shawn Agosti (814) 765-0508	3 Greg Dibble* (570) 368-4239 Barry Carverick (570) 368-4240 Brian Haight (570) 368-4241 Steven Kehoe (570) 368-4242	4 Chris Goetz* (570) 963-4117 Ed Sunski (570) 963-4052 Jeff Roback (570) 963-4053	5 John Davis* (610) 871-4151 Charles Paris (610) 871-4152 Kevin O'Donnell (610) 871-4150
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10 James Schepis* (724) 422-1118 Marc Scarbek (724) 422-1115 Cory Shaffer (724) 422-1116 JP Bregheini (724) 422-1117	11 Barry DeAngelis* (412) 429-4813 Tony Ryan (412) 429-4812 Tim Tagmyer (412) 429-4809	12 Stephanie Whitlatch* (724) 439-7136 Brandon Firestone (724) 439-7273 Jonna Knapik (724) 439-7364	9 Michael Bowser* (814) 696-7220 Benjamin Dishong (814) 696-7222 Jesse Theyt (814) 696-7221	8 James Leshar* (717) 772-2171 Rick Levan (717) 787-4378 Marcus Lepperd (717) 257-6209	6 Louis Calvanese* (610) 205-6541 Marjorie Parris (610) 205-6540 Ed Mullock (610) 205-6539	Timothy Greco (610) 205-6537 Brian Dayton (610) 205-6542 Peter Mancini (610) 205-6538	* District Municipal Supervisors 9 – Engineering District ★ – District Office
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PENNDOT MSRS

Your technical support. They are here for YOU too.

- Located in each Engineering District
- Can provide assistance in the areas of:
 - Estimating road repair costs
 - Calculating materials needed for repair
 - Bid packages
 - Project approvals
 - County Aid
 - Road inventory and certification for accurate LF payments



TOPICS OF DISCUSSION

- Most common Auditor General (AG) Liquid Fuels (LF) Findings during 2023
- How these problems can lead to LF Funds mismanagement
- Ways to avoid the problems
- Resources provided by PennDOT to ensure proper LF Fund management



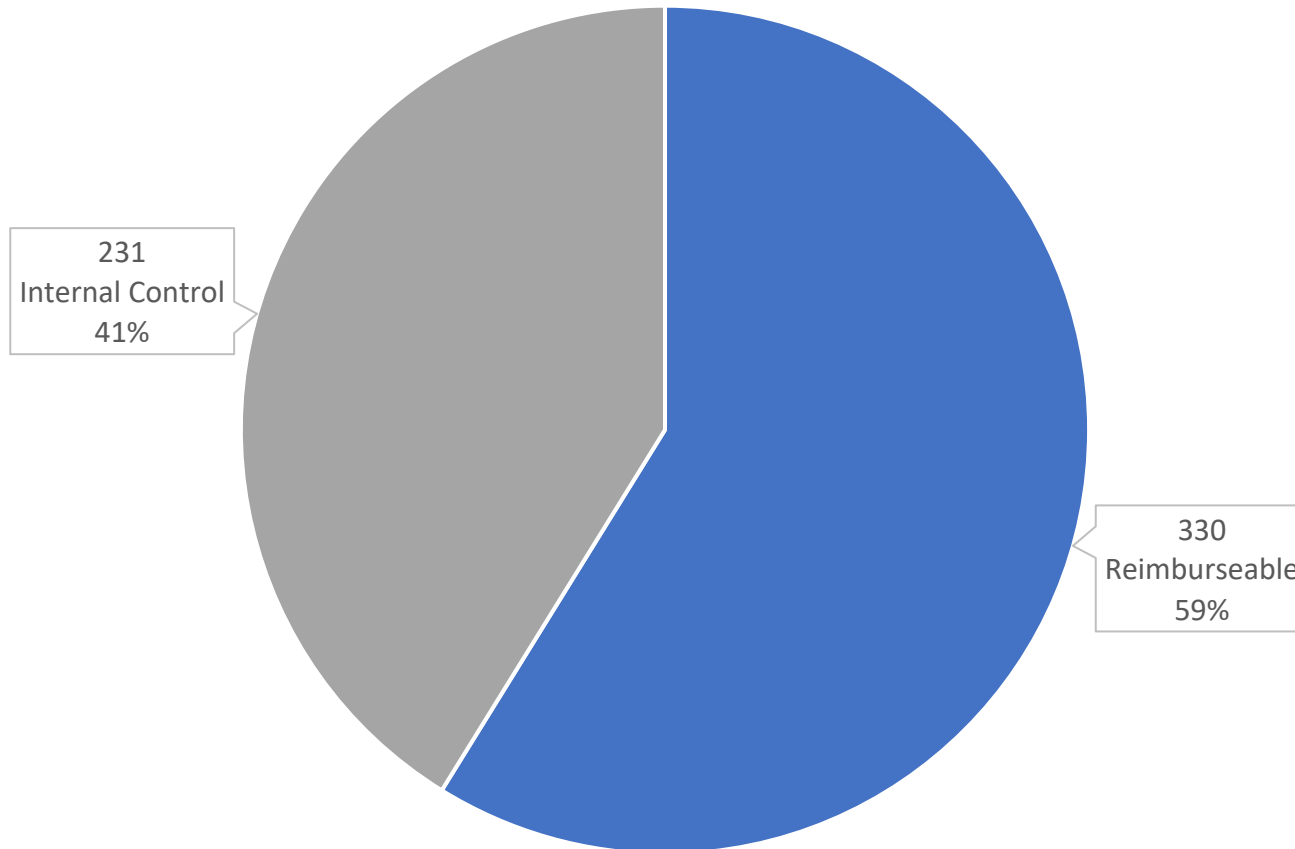
AUDITING REQUIREMENTS

- LF funds are audited by the PA Dept of the Auditor General in accordance with the requirements of Section 403 of the Fiscal Code, 72 P.S. § 403.
- PennDOT Monitoring Reviews (MRs)
 - Financial Consultants (FCs) will perform MRs to follow up on AG Findings or Comments and can also be done upon request by municipalities.



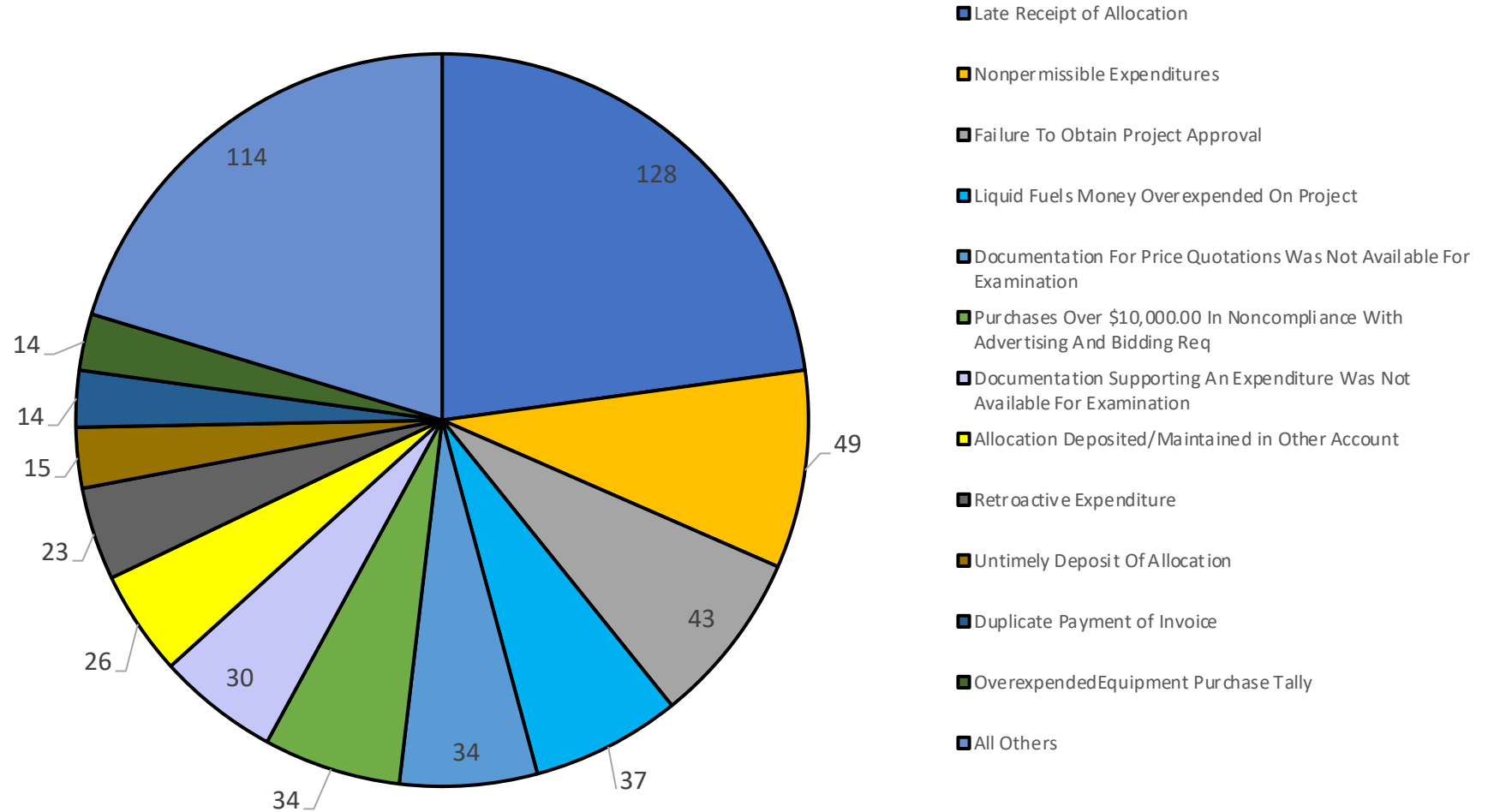
2023 AUDIT FINDINGS - 561

Audit Findings



2023 AUDIT FINDINGS

Audit Findings



LATE RECEIPT OF ALLOCATION

- No. 1 Solution: Submit annual reports...correctly and on time!
 - **MS-965 Actual Use Report**— January 31st.
 - **DCED Report of Elected and Appointed Officials**— January 31st.
 - **DCED Survey of Financial Condition**— March 15th (*however must be submitted prior to February 9th to ensure LF payment on March 1st*)
- NOTE: We are here to help you with all of these forms. When in doubt, call your Financial Consultant (FC). It's free and we're here to help you.



LATE RECEIPT OF ALLOCATION

Other Causes...

- Outstanding AG LF Audit/FC Monitoring Review Finding Reimbursements Due
- Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Departments of Revenue and Labor and Industry.



NONPERMISSIBLE EXPENDITURES

- PennDOT's Publication 9 outlines permissible and nonpermissible Liquid Fuels expenditures
 - Parks, municipal buildings or playgrounds
 - Police Departments
 - Administrative Expenses
 - Private property
 - Sanitary sewers, water lines, or utility costs
 - Curbs and sidewalks (except ADA ramps)
 - Heating oil
 - Lump sum bidding
 - Construction and reconstruction projects without PennDOT approval



FAILURE TO OBTAIN PROJECT APPROVAL

Criteria To Determine When Project Approval Is Required	
Bituminous surface	A depth of 1" or greater
Concrete surface	50 square yards or more
Widening	A new lane and/or more than two feet on either or both sides of existing roadway
Relocation	All
Bridges	For bridge maintenance/preservation activities, confer with the District Municipal Services Office to determine if a project approval is required. All rehabilitations, replacements or any other work that affects the carrying capacity of the structure or the waterway areas require project approval.
Other	Reconstruction, such as removal and replacement of one inch or more of existing road material, including base and surface. This includes cold-mill recycling and reclamation work.
Traffic signals and lighting	New installations
Guiderail	New installation location or replacement with upgrade or better technology.
Pipe	New installation location or replacement with a larger size.



- **MS-329 Project Approval Form**

- This form is completed by a Municipal Services Rep (MSR) when investigating a project.
- It records the approval of the scope of work and authorizes expenditures for the project from the Liquid Fuels Tax Fund.
- The form contains a project number – all costs related to the project must be charged against this number.



- **MS-999**

- To be completed by the municipality upon completion of the project and submitted to the District Office for approval.
 - The projected expenses from the MS-329 are compared against the actual expenses on the MS-999. Any variations must be explained and properly documented prior to being signed off on by the MSR.
-
- A partial MS-999 report is required if LF funds are expended in the year but the project carries over to the next year.



LIQUID FUELS MONEY OVEREXPENDED ON PROJECT

Where the issues are:

- MS-999 is more than MS-329 and no explanation was or can be provided.
- Expenses NOT charged to the project # on your record of checks. The auditors are looking for this and will add them to the project cost – if over approved amount will have to reimburse.
- You didn't complete an MS-999 when project completed.



NONCOMPLIANCE WITH PURCHASING THRESHOLDS

- When spending funds from LF (or General Funds) be aware of the expenditure thresholds!
 - \$0 to \$12,199.99...price quotes not required
 - \$12,200.00 to \$22,499.99...price quotes are required.
 - Faxed or E-mail quotes noting all of the appropriate information are recommended.
 - Multiple purchases of like materials for less than the threshold each, but are in total over the threshold for the year is a violation of the municipal codes.



NONCOMPLIANCE WITH PURCHASING THRESHOLDS

- Over \$22,500.00
 - Each municipality or county shall make an annual estimate of its requirements for road construction and maintenance materials and shall advertise for bids on all items and groups of like items ordinarily supplied by a single supplier which are in excess of the threshold.
 - Advertising, bidding, and performance bond are required by statute on purchases and contracts.
 - Consult your municipal code book for exact amounts and types of bonding required.
 - Entering into several purchases less than the threshold with the same person or several persons to avoid advertising and bidding is unlawful.



Joint Purchasing with a Council of Governments (COG)

- Representatives from two or more municipalities estimate the quantities of items each municipality will need over the next year.
- Reduced ad cost since only one ad will be placed.
- Deliveries will be made to each municipality with invoices and payment being made separately.
- Overall potential for lower costs due to increased quantities.



Intergovernmental Contracts

- COSTARS

- Municipality may work directly with DGS for their purchasing needs.
- Contact Information and Sample resolution can be found free of charge at www.dgs.pa.gov



DOCUMENTATION SUPPORTING EXPENDITURES

- Documentation supporting all expenditures from Liquid Fuels Tax Funds must be available for review
- Auditors and Financial Consultants will require them

Issued on: 2012-08-27

Billing Statement

<p>ABC Corp. Sales div. Mr. Ichiro SUZUKI</p> <p style="border: 1px dashed black; padding: 2px;">Thank you for ordering us. Attached is a statement of your account. Mizuho Bank, Kyoto Chuo Branch: Ordinary 1234567 Questetra, Inc. Please pay by 2012-09-30</p>		<p>Questetra, Inc Management Department Tel: 075-205-5007 Email: management@questetra.com</p>
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Goods	Quantity	Unit Price	Total	Note
Questetra BPM Suite - SaaS 200 License	6	2,000	12,000	2012-10 - 2013-03
Lecture service	2	1,000	2,000	Two times in September
Total			14,000	

Start date of service: 9. September

Generated by Questetra BPM Suite

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FUNDS IN INCORRECT ACCOUNT

- Liquid Fuels Tax Fund must be deposited into and maintained in a separate account
 - Cannot be commingled with any other funds
- Cannot transfer to other account to anticipate expenditures or in excess of eligible expenditures



RETROACTIVE EXPENDITURES

- Cannot pay prior year expenses with Liquid Fuels Tax Funds



UNTIMELY DEPOSIT OF FUNDS

- Funds should be deposited immediately when received
- EFT is now required for all payments
 - <https://www.budget.pa.gov/Services/ForVendors/Pages/Direct-Deposit-and-e-Remittance.aspx>



DUPLICATE PAYMENTS

- Same invoice paid multiple times
- Represents internal control issues
- Invoices should be marked as soon as they are paid



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OVEREXPENDED EQUIPMENT TALLY

- 20% of allocation allowed to be used for Major Equipment purchases
- Can accumulate over the years
- Contained in Section 3 of the MS-965



INADEQUATE CHECK IMAGES

- Digital images of checks much include both the front and back of checks
- Contact bank to request



RELATED CHECK SIGNERS

- Internal control issue
- The risk of unauthorized disbursement, errors, or misappropriation increases

The image shows a check form with the following fields and text:

- YOUR COMPANY NAME HERE** (top left)
- YOUR BANK NAME HERE** (top right)
- 123 ANY STREET** (address line 1)
- 1234 MAIN STREET** (address line 2)
- CITY, STATE AND ZIP** (address line 3)
- 123-456-7890** (phone number)
- 12-345678** (date)
- 1001** (amount)
- DATE** (label for the date field)
- PAY TO THE ORDER OF** (payee field)
- \$** (dollar sign)
- DOLLARS** (label for the amount field)
- MEMO** (memo field)
- YOUR COMPANY NAME HERE** (signature line 1)
- AUTHORIZED SIGNATURE** (signature line 2)

At the bottom of the form, there is a MICR line and the text **Two Signature Lines** in red.



RELATED PARTY TRANSACTIONS

- Per *The Second Class Township Code*, must go through public bidding process if over \$500
- Also included in The Public Official and Employee Ethics Act



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HOW TO AVOID FINDINGS

- PennDOT reference materials
- Contact your PennDOT Municipal Services Representative and Financial Consultant with all questions



LIQUID FUELS REFERENCE MATERIALS

- PennDOT Publication 9
 - Contains “do’s and don’ts” on spending LF funds
- PennDOT Publication 408
 - Contains lists of approved road materials
- PennDOT Bulletin 15
 - Contains lists of approved suppliers
- PennDOT Publication 447
 - Contains additional approved road materials for local roads
- DCED Purchasing Handbook
 - Contains processes to be followed when purchasing ANY goods or services. www.dced.pa.gov



SERVICES TO LOCAL GOVERNMENTS

- <http://www.penndot.gov/Doing-Business/LocalGovernment/Pages/default.aspx>
 - Electronic Contracts and Forms
 - dotGrants Registration Forms (EALA and Resolution)
 - Actual LF Payment (list posted in March)
 - Links to other PennDOT resources, publications, forms.



ASSISTANCE

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krsims@pa.gov



ANY
QUESTIONS
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