



**BOROUGH OF NORTH YORK
YORK COUNTY
66-422**

**LIQUID FUELS TAX FUND
EXAMINATION REPORT**

**FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012**

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL





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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Barry J. Schoch, 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 Borough of North York, York County, for the period January 1, 2010 to December 31, 2012. 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 Borough of North York, York County's Forms MS-965 for the period January 1, 2010 to December 31, 2012 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 Finding No. 1, 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. 2, the borough received its 2011 Liquid Fuels Tax Fund allocation of \$32,024.64 on February 5, 2013 and deposited it into its General Fund. Additionally, the 2012 Liquid Fuels Tax Fund allocation of \$35,227.91 was received and deposited into the General Fund on February 4, 2013. These amounts were transferred to the borough's Liquid Fuels Tax Fund on May 21, 2013, which was subsequent to our examination period.

In our opinion, 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 Borough of North York, York County, for the period January 1, 2010 to December 31, 2012, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the 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 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.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Borough of North York, York County's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria such that there is more than a remote likelihood that a misstatement of the Borough of North York, York County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Borough of North York, York County's internal control. We consider the deficiency described in the finding below to be a significant deficiency in internal control over reporting on the Forms MS-965:

- Failure To Properly Prepare Forms MS-965.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the Forms MS-965 will not be prevented or detected by the Borough of North York, York County's internal control. Our consideration of the internal control over reporting on the Forms MS-965 would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the significant deficiency described above to be a material weakness.

Independent Auditor's Report (Continued)

The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*:

- Late Receipt Of Allocations And Allocations Deposited Into The General Fund - Recurring.
- A Complete Record Of Borough Council Minutes Was Not Available For Examination.

We are concerned in light of the municipality's failure to correct a previously reported finding regarding the late receipt of allocations and depositing allocations into the General Fund. During our current examination, we noted that the municipality received its allocations late and deposited them into the General Fund, failed to properly prepare its Forms MS-965, and did not have a complete record of the council minutes available for examination. The municipality should strive to implement the recommendations and corrective actions noted in this report.

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



EUGENE A. DEPASQUALE
Auditor General

February 5, 2014

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BOROUGH OF NORTH YORK
YORK COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

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.

BOROUGH OF NORTH YORK
YORK COUNTY
LIQUID FUELS TAX FUND
2010 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	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

BOROUGH OF NORTH YORK
YORK COUNTY
LIQUID FUELS TAX FUND
2010 FORM MS-965 – SECTION 2
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2010	\$ 18,030.67	\$ (419.24)	\$ 17,611.43
Receipts:			
2. State allocation	-	-	-
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	18.84	(6.12)	12.72
2c. Miscellaneous (Comment)	3,052.70	-	3,052.70
3. Total receipts	<u>3,071.54</u>	<u>(6.12)</u>	<u>3,065.42</u>
4. Total funds available	<u>21,102.21</u>	<u>(425.36)</u>	<u>20,676.85</u>
5. Expenditures (Section 1)	<u>-</u>	<u>-</u>	<u>-</u>
6. Balance, December 31, 2010	<u><u>\$ 21,102.21</u></u>	<u><u>\$ (425.36)</u></u>	<u><u>\$ 20,676.85</u></u>

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

BOROUGH OF NORTH YORK
YORK COUNTY
LIQUID FUELS TAX FUND
2010 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	\$ 16,801.40	\$ -	\$ 16,801.40
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	-	-	-
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	16,801.40	-	16,801.40
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>16,801.40</u>	<u>-</u>	<u>16,801.40</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 16,801.40</u>	<u>\$ -</u>	<u>\$ 16,801.40</u>

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

BOROUGH OF NORTH YORK
YORK COUNTY
LIQUID FUELS TAX FUND
2011 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	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

BOROUGH OF NORTH YORK
YORK COUNTY
LIQUID FUELS TAX FUND
2011 FORM MS-965 – SECTION 2
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2011	\$ 21,102.21	\$ (425.36)	\$ 20,676.85
Receipts:			
2. State allocation	63,803.76	-	63,803.76
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	15.20	-	15.20
2c. Miscellaneous	-	-	-
3. Total receipts	<u>63,818.96</u>	<u>-</u>	<u>63,818.96</u>
4. Total funds available	<u>84,921.17</u>	<u>(425.36)</u>	<u>84,495.81</u>
5. Expenditures (Section 1)	<u>-</u>	<u>-</u>	<u>-</u>
6. Balance, December 31, 2011	<u><u>\$ 84,921.17</u></u>	<u><u>\$ (425.36)</u></u>	<u><u>\$ 84,495.81</u></u>

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

BOROUGH OF NORTH YORK
 YORK COUNTY
 LIQUID FUELS TAX FUND
 2011 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	\$ 16,801.40	\$ -	\$ 16,801.40
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	12,760.75	-	12,760.75
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	29,562.15	-	29,562.15
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>29,562.15</u>	<u>-</u>	<u>29,562.15</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 29,562.15</u>	<u>\$ -</u>	<u>\$ 29,562.15</u>

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

BOROUGH OF NORTH YORK
YORK COUNTY
LIQUID FUELS TAX FUND
2012 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	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

BOROUGH OF NORTH YORK
YORK COUNTY
LIQUID FUELS TAX FUND
2012 FORM MS-965 – SECTION 2
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2012	\$ 21,102.21	\$ 63,393.60	\$ 84,495.81
Receipts:			
2. State allocation	63,803.76	(63,803.76)	-
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	15.53	6.95	22.48
2c. Miscellaneous	-	-	-
3. Total receipts	<u>63,819.29</u>	<u>(63,796.81)</u>	<u>22.48</u>
4. Total funds available	<u>84,921.50</u>	<u>(403.21)</u>	<u>84,518.29</u>
5. Expenditures (Section 1)	<u>-</u>	<u>-</u>	<u>-</u>
6. Balance, December 31, 2012	<u><u>\$ 84,921.50</u></u>	<u><u>\$ (403.21)</u></u>	<u><u>\$ 84,518.29</u></u>

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

BOROUGH OF NORTH YORK
YORK COUNTY
LIQUID FUELS TAX FUND
2012 FORM MS-965 – SECTION 3
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 16,801.40	\$ 12,760.75	\$ 29,562.15
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	12,760.75	(12,760.75)	-
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	29,562.15	-	29,562.15
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>29,562.15</u>	<u>-</u>	<u>29,562.15</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 29,562.15</u>	<u>\$ -</u>	<u>\$ 29,562.15</u>

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

BOROUGH OF NORTH YORK
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

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 prior to 2012 and in excess of \$10,000.00 during 2012 and subsequent years.
- Minor equipment purchases are purchases of road machinery and road equipment that cost \$4,000.00 or less prior to 2012 and \$10,000.00 or less during 2012 and subsequent years.
- 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.

BOROUGH OF NORTH YORK
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

1. Criteria (Continued)

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.

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.

BOROUGH OF NORTH YORK
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

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 Borough Code, Title 53 P.S § 46316, authorizes the borough 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, 2012. 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.

BOROUGH OF NORTH YORK
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

2. Deposits (Continued)

Fund Balance

The fund balance as of December 31, 2012 consists of the following:

Cash	\$84,518.29
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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 \$12.72 during 2010, \$15.20 during 2011, and \$22.48 during 2012, thus providing additional funds for road maintenance and repairs.

BOROUGH OF NORTH YORK
YORK COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

Finding No. 1 - Failure To Properly Prepare Forms MS-965

Our examination disclosed that there were numerous errors made in the preparation of the municipality's 2010, 2011, and 2012 Forms MS-965. These adjustments are as follows:

2010 - Section 2

- An adjustment of \$(419.24) was made to "Balance, January 1, 2010" because an incorrect fund balance was reported.
- An adjustment of \$(6.12) was made to "Interest on investments" because interest earnings were overstated.

2011 - Section 2

- An adjustment of \$(425.36) was made to "Balance, January 1, 2011" to reflect the adjustment made to the fund balance in 2010 - Section 2.

2012 - Section 2

- An adjustment of \$63,393.60 was made to "Balance, January 1, 2012" because an incorrect fund balance was reported.
- An adjustment of \$(63,803.76) was made to "State allocation" because the 2009 and 2010 state allocations of \$32,531.83 and \$31,271.93, respectively, were received in 2011 but were incorrectly reported as receipts in 2012.
- An adjustment of \$6.95 was made to "Interest on investments" because interest earnings were understated.

2012 - Section 3

- An adjustment of \$12,760.75 was made to "Prior year equipment balance" because an incorrect equipment balance was reported.
- An adjustment of \$(12,760.75) was made to "Current year equipment allocation" because the state allocation from 2012 - Section 2, which is used to calculate this figure, was incorrectly reported.

BOROUGH OF NORTH YORK
YORK COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

Finding No. 1 - Failure To Properly Prepare Forms MS-965 (Continued)

Good internal controls ensure that the municipality completes its Forms MS-965 accurately and completely. The failure to properly complete Forms MS-965 increases the risk that errors or misappropriations may occur and remain undetected.

Recommendation

We recommend that the municipality ensure that its Forms MS-965 are complete and accurate.

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 recommendation.

BOROUGH OF NORTH YORK
 YORK COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
 JANUARY 1, 2010 TO DECEMBER 31, 2012

Finding No. 2 - Late Receipt Of Allocations And Allocations Deposited Into The General Fund -
 Recurring

We cited the borough for late receipt of allocations and Liquid Fuels money deposited into the General Fund in our prior report for the period January 1, 2007 to December 31, 2009. Our current examination disclosed that the borough's 2011 and 2012 Liquid Fuels Tax Fund allocations, which should have been distributed during the first week of April of each year, again were not received timely. In addition, the 2009, 2010, 2011 and 2012 Liquid Fuels Tax Fund allocations were deposited into the municipality's General Fund before being transferred to the Liquid Fuels Tax Fund. Details regarding the allocations are as follows:

Allocation year	Allocation amount	Date Of Deposit Into General Fund	Date Of Transfer To The Liquid Fuels Tax Fund
2009	\$ 32,531.83	02/25/2010	07/08/2011
2010	31,271.93	03/01/2010	07/08/2011
2011	32,024.64	02/05/2013	05/21/2013
2012	<u>35,227.91</u>	02/04/2013	05/21/2013
Total	<u>\$131,056.31</u>		

These allocations should have been distributed during the first week of April of each year, but were not 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.

BOROUGH OF NORTH YORK
YORK COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

Finding No. 2 - Late Receipt Of Allocations And Allocations Deposited Into The General Fund -
Recurring (Continued)

- Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.

Because the municipality failed to file documents and information timely and deposit funds into the Liquid Fuels Tax Fund immediately upon receipt as noted above, the municipality did not have use of the 2009 allocation for 27 months, the 2010 allocation for 15 months, the 2011 allocation for more than 25 months, and the 2012 allocation for more than 13 months. In addition, the failure to immediately deposit funds into the Liquid Fuels Tax Fund increases the risk that errors and misappropriations may occur and remain undetected. Furthermore, had the allocations been received timely and been deposited into the Liquid Fuels Tax Fund in a timely manner, money may have been available for investment, potentially earning interest income which could have been used for road maintenance and repairs.

This condition occurred because the municipality failed to comply with our prior examination recommendations to comply with the Department of Transportation's *Publication 9* so that allocations are received during the first week in April of each year and are immediately deposited into the Liquid Fuels Tax Fund.

Recommendations

We again recommend that the municipality comply with the Department of Transportation's *Publication 9* to ensure that the allocations are received during the first week in April as outlined above.

We also again recommend that, in the future, the municipality deposit all Liquid Fuels Tax Fund allocations into the Liquid Fuels Tax Fund upon receipt.

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

The failure to immediately deposit funds into the Liquid Fuels Tax Fund increases the risk that errors and misappropriations may occur and remain undetected. This is a recurring finding. We strongly recommend that the municipality comply with our recommendations. During our next examination we will determine if the municipality complied with our recommendations.

BOROUGH OF NORTH YORK
YORK COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

Finding No. 3 - A Complete Record Of Borough Council Meeting Minutes Was Not Available For Examination

Our examination disclosed that the minutes for 3 of the 12 borough council meetings held during calendar year 2010 were not available for examination.

The Borough Code, Section 1111 states:

“The secretary shall attend all meetings of the borough council and shall keep full minutes of its proceedings”...

Additionally, *The Borough Code*, Section 1113 states:

“The minute book and other records and documents of every borough shall be open to the inspection of any taxpayer thereto, at any reasonable time”.

Borough council meeting minutes for 2011 and 2012 were available for examination.

Because the meeting minutes were not available for 3 of the 12 meetings during 2010, we were unable to review them for items of significance affecting the Liquid Fuels Tax Fund, such as litigation, claims, or assessments against the municipality’s Liquid Fuels Tax Fund.

Recommendation

We recommend that, in the future, the borough continue to maintain transcribed minutes of the borough council meetings for examination and public review.

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 recommendation.

BOROUGH OF NORTH YORK
YORK COUNTY
LIQUID FUELS TAX FUND
COMMENT
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

Comment - Summary Of Prior Examination Recommendation

In our prior report we noted that the borough deposited \$3,052.70 of Liquid Fuels Tax Fund money into the General Fund. The borough transferred this amount from its General Fund to its Liquid Fuels Tax Fund on March 31, 2010. A similar finding was also written in our current report (see Finding No. 2).

BOROUGH OF NORTH YORK
YORK COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

An exit conference was held February 5, 2014. Those participating were:

BOROUGH OF NORTH YORK

The Honorable Rick Shank, Vice-President of Council

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Tammy Fleisher, Auditor

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

BOROUGH OF NORTH YORK
YORK COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

This report was initially distributed to:

The Honorable Barry J. Schoch, P.E.
Secretary
Department of Transportation

Borough of North York
York County
350 East 6th Avenue
York, PA 17404

The Honorable Vivian Amspacher

President of Council

The Honorable Rick Shank

Vice-President of Council

This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.