

ATTESTATION ENGAGEMENT

Township of Jordan
Northumberland County, Pennsylvania
49-205
Liquid Fuels Tax Fund
For the Period
January 1, 2013 to December 31, 2014

August 2015



Commonwealth of Pennsylvania
Department of the Auditor General
Eugene A. DePasquale • Auditor General



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EUGENE A. DEPASQUALE
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Leslie Richards
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 Jordan, Northumberland County, for the period January 1, 2013 to December 31, 2014. 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 Jordan, Northumberland County's Forms MS-965 for the period January 1, 2013 to December 31, 2014 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 and the Summary of Prior Examinations' Recommendations section of this report:

- The municipality did not maintain invoices or payroll records to support a transfer of \$5,327.00 made on December 28, 2014 from its Liquid Fuels Tax Fund to its General Fund (Finding No. 1).
- During our 2010-2011 examination period the municipality expended \$62,140.73 without advertising for bids and \$984.00 for excavation services performed by a business owned by a township supervisor from its Liquid Fuels Tax Fund. We further noted that the township reimbursed \$25,984.64 to the Liquid Fuels Tax Fund, leaving a balance of \$37,140.09 to be reimbursed to the Liquid Fuels Tax Fund. (Summary of 2010-2011 Examination Recommendations)
- During our 2012 examination period the municipality expended \$23,457.05 without advertising for bids and \$16,337.35 without maintaining documentation for price quotations from its Liquid Fuels Tax Fund. (Summary of 2012 Examination Recommendations).

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 Jordan, Northumberland County, for the period January 1, 2013 to December 31, 2014, in conformity with the criteria set forth in Note 1.

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 the 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 a certain deficiency in internal control, described in the finding listed below, that we consider to be a material weakness in internal control:

- Documentation Supporting 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 Township of Jordan, Northumberland 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We also noted a matter that, while not required to be included in this report by *Government Auditing Standards*, has been included in the finding below:

- Commingling Of Funds.

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

We appreciate the courtesy extended by the Township of Jordan, Northumberland County, to us during the course of our examination. If you have any questions, please feel free to contact Michael B. Kashishian, CPA, CGAP, CFE, Director, Bureau of County Audits, at 717-787-1363.



Eugene A. DePasquale
Auditor General

June 8, 2015

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TOWNSHIP OF JORDAN
NORTHUMBERLAND COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

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.

TOWNSHIP OF JORDAN
 NORTHUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 2013 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	\$ 5,000.00	\$ -	\$ 5,000.00
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	6,673.76	-	6,673.76
Traffic control devices	751.05	-	751.05
Street lighting	-	-	-
Storm sewers and drains	10,885.08	-	10,885.08
Repairs of tools and machinery	4,809.83	-	4,809.83
Maintenance and repair of roads and bridges	74,728.60	1,741.26	76,469.86
Highway construction and rebuilding projects	18,189.80	-	18,189.80
Miscellaneous (Note 6)	2,312.56	581.44	2,894.00
 Total (To Section 2, Line 5)	 <u>\$ 123,350.68</u>	 <u>\$ 2,322.70</u>	 <u>\$ 125,673.38</u>

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

TOWNSHIP OF JORDAN
 NORTHUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 2013 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, 2013	\$ 28,990.33	\$ -	\$ 28,990.33
Receipts:			
2. State allocation	77,455.98	-	77,455.98
2a. Turnback allocation	4,320.00	-	4,320.00
2b. Interest on investments (Note 3)	280.52	-	280.52
2c. Miscellaneous (Note 5)	25,984.64	2,894.00	28,878.64
3. Total receipts	<u>108,041.14</u>	<u>2,894.00</u>	<u>110,935.14</u>
4. Total funds available	<u>137,031.47</u>	<u>2,894.00</u>	<u>139,925.47</u>
5. Expenditures (Section 1)	<u>123,350.68</u>	<u>2,322.70</u>	<u>125,673.38</u>
6. Balance, December 31, 2013	<u>\$ 13,680.79</u>	<u>\$ 571.30</u>	<u>\$ 14,252.09</u>

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

TOWNSHIP OF JORDAN
 NORTHUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 2013 FORM MS-965 – SECTION 3
 WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 28,990.33	\$ -	\$ 28,990.33
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	16,355.20	-	16,355.20
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	45,345.53	-	45,345.53
5. Less: Major equipment expenditures	5,000.00	-	5,000.00
6. Remainder	40,345.53	-	40,345.53
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	\$ 13,680.79	\$ 571.30	\$ 14,252.09

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

TOWNSHIP OF JORDAN
NORTHUMBERLAND COUNTY
LIQUID FUELS TAX FUND
2014 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	\$ 64,505.09	\$ -	\$ 64,505.09
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	2,146.09	-	2,146.09
Winter maintenance services	6,292.20	-	6,292.20
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	16,713.94	-	16,713.94
Repairs of tools and machinery	8,298.97	-	8,298.97
Maintenance and repair of roads and bridges	63,833.04	(5,327.00)	58,506.04
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Note 6)	-	7,146.24	7,146.24
 Total (To Section 2, Line 5)	 <u>\$ 161,789.33</u>	 <u>\$ 1,819.24</u>	 <u>\$ 163,608.57</u>

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

TOWNSHIP OF JORDAN
 NORTHUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 2014 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, 2014	\$ 13,753.77	\$ 498.32	\$ 14,252.09
Receipts:			
2. State allocation	83,405.58	-	83,405.58
2a. Turnback allocation	4,320.00	-	4,320.00
2b. Interest on investments (Note 3)	306.06	-	306.06
2c. Miscellaneous (Note 5)	73,364.16	1,819.24	75,183.40
3. Total receipts	<u>161,395.80</u>	<u>1,819.24</u>	<u>163,215.04</u>
4. Total funds available	<u>175,149.57</u>	<u>2,317.56</u>	<u>177,467.13</u>
5. Expenditures (Section 1)	<u>161,789.33</u>	<u>1,819.24</u>	<u>163,608.57</u>
6. Balance, December 31, 2014	<u>\$ 13,360.24</u>	<u>\$ 498.32</u>	<u>\$ 13,858.56</u>

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

TOWNSHIP OF JORDAN
 NORTHUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 2014 FORM MS-965 – SECTION 3
 WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 13,753.77	\$ 498.32	\$ 14,252.09
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	17,545.12	-	17,545.12
3. PENNDOT approved adjustments	<u>55,000.00</u>	<u>-</u>	<u>55,000.00</u>
4. Total funds available for equipment acquisition	86,298.89	498.32	86,797.21
5. Less: Major equipment expenditures	<u>64,505.09</u>	<u>-</u>	<u>64,505.09</u>
6. Remainder	<u>21,793.80</u>	<u>498.32</u>	<u>22,292.12</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 13,360.24</u>	<u>\$ 498.32</u>	<u>\$ 13,858.56</u>

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

TOWNSHIP OF JORDAN
 NORTHUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS
 FOR THE PERIOD
 JANUARY 1, 2013 TO DECEMBER 31, 2014

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 with varying yearly costs in excess of the amounts indicated below:

Prior To 2012	2012	2013	2014
\$4,000.00	\$10,000.00	\$10,200.00	\$10,300.00

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

Prior To 2012	2012	2013	2014
\$4,000.00	\$10,000.00	\$10,200.00	\$10,300.00

- 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.

TOWNSHIP OF JORDAN
NORTHUMBERLAND COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

1. Criteria (Continued)

Section 2 (Continued)

- 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.

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.

TOWNSHIP OF JORDAN
NORTHUMBERLAND COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

1. Criteria (Continued)

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.

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 or savings bank's assets minus liabilities.

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

TOWNSHIP OF JORDAN
NORTHUMBERLAND COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

2. Deposits (Continued)

There were no deposits exposed to custodial credit risk as of December 31, 2014. 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.

Fund Balance

The fund balance as of December 31, 2014 consists of the following:

Cash	\$13,858.56
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3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in interest-bearing accounts which earned \$280.52 during 2013, and \$306.06 during 2014, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2013 - Section 1

An adjustment of \$1,741.26 was made to "Maintenance and repair of roads and bridges" because these expenditures were misclassified as miscellaneous.

An adjustment of \$581.44 was made to "Miscellaneous" because a transfer to the General Fund of \$571.30 was reported but did not occur, a transfer to correct a deposit in error of \$2,894.00 was not reported, and expenditures of \$1,741.26 for maintenance and repair of roads and bridges were misclassified.

2013 - Section 2

An adjustment of \$2,894.00 was made to "Miscellaneous" because a deposit in error was not reported.

TOWNSHIP OF JORDAN
NORTHUMBERLAND COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

4. Adjustments (Continued)

2014 - Section 1

An adjustment of \$(5,327.00) was made to “Maintenance and repair of roads and bridges” because miscellaneous expenditures were misclassified.

An adjustment of \$7,146.24 was made to “Miscellaneous” because a transfer to the General Fund of \$1,819.24 to correct a deposit in error was not reported and expenditures of \$5,327.00 were misclassified as maintenance and repair of roads and bridges.

2014 - Section 2

An adjustment of \$498.32 was made to “Balance, January 1, 2014” because an incorrect fund balance was reported.

An adjustment of \$1,819.24 was made to “Miscellaneous” because a deposit in error was not reported.

2014 - Section 3

An adjustment of \$498.32 was made to “Prior year equipment balance” because an incorrect equipment balance was carried forward.

TOWNSHIP OF JORDAN
 NORTHUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS
 FOR THE PERIOD
 JANUARY 1, 2013 TO DECEMBER 31, 2014

5. Miscellaneous Receipts

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

Source	Description	2013	2014
General Fund	Reimbursement (Summary of 2010-2011 examination Recommendations)	\$25,984.64	\$ -
General Fund	Deposits in error (Note 7)	2,894.00	1,819.24
Commonwealth of Pennsylvania	Loan proceeds (Note 8)	-	25,000.00
Northumberland County Conservation District	Grant	-	16,305.55
Gratz Bank	Loan proceeds (Note 8)	-	30,000.00
General Fund	Reimbursement for road materials	-	2,058.61
Totals		<u>\$28,878.64</u>	<u>\$75,183.40</u>

6. Miscellaneous Expenditures

The following miscellaneous expenditures were paid from the Liquid Fuels Tax Fund during the examination period:

Payee	Description	2013	2014
General Fund	Deposits in error (Note 7)	\$2,894.00	\$1,819.24
General Fund	Undocumented expenditure (Finding No. 1)	-	5,327.00
Totals		<u>\$2,894.00</u>	<u>\$7,146.24</u>

TOWNSHIP OF JORDAN
NORTHUMBERLAND COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

7. Deposits In Error

On December 6, 2013, the Commonwealth of Pennsylvania deposited police fines of \$2,894.00 into the municipality's Liquid Fuels Tax Fund in error. On December 11, 2013, the municipality transferred this amount to its General Fund to correct the deposit in error.

On November 17, 2014, the Commonwealth of Pennsylvania deposited police fines of \$1,819.24 into the municipality's Liquid Fuels Tax Fund in error. On November 18, 2014, the municipality transferred this amount to its General Fund to correct the deposit in error.

8. Loans For Boom Mower

On November 20, 2013, the municipality purchased a Tiger Bengal Brute boom mower for \$56,337.20. The municipality made a down payment of \$5,000.00 from the Liquid Fuels Tax Fund during 2013, leaving a balance due of \$51,337.20. The municipality borrowed \$25,000.00 from Local Government Capital Project Loan Program and \$30,000.00 was borrowed from the Gratz Bank, which was \$3,662.80 more than the balance due. The excess amount borrowed remained in the Liquid Fuels Tax Fund.

The term of the term of the Local Government Capital Project loan was for five years at an interest rate of 2.02 percent. Principal and interest payments of \$1,316.66 are due quarterly.

During the current examination period the municipality paid principal of \$4,802.51 and interest of \$464.13 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2013 and 2014 Forms MS-965 - Section 1. The outstanding balance of the loan as of December 31, 2014 was \$20,197.49, plus interest.

The term of the loan from Gratz Bank was for three years at an interest rate of 3.25 percent. Principal and interest payments of \$2,633.75 are due quarterly.

During the current examination period the municipality paid principal of \$7,233.44 and interest of \$667.81 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2013 and 2014 Forms MS-965 - Section 1. The outstanding balance of the loan as of December 31, 2014 was \$22,766.56, plus interest.

TOWNSHIP OF JORDAN
NORTHUMBERLAND COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

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

Our examination disclosed that the municipality did not maintain invoices or payroll records to support a transfer of \$5,327.00 made on December 28, 2014 from its Liquid Fuels Tax Fund to its General Fund.

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.

The failure to maintain documentation to support expenditures could result in the municipality having to reimburse \$5,327.00 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$5,327.00 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 JORDAN
NORTHUMBERLAND COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

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

Management's Response

The municipal officials stated:

Per the elected auditors request a transfer was made from the Liquid Fuels account to the General Fund. This was due to expenses that were costed to the Liquid Fuels Fund but not actually expensed as such in calendar year 2013. No details of the transactions were presented. However, the elected auditors continued to raise a finding that expenses/transfers be made. The transfer was made in 2014. Per discussion with the AG auditor, transfers should not be made for undocumented expenses and so late after the year in which they were incurred. This will be shared with the elected auditors.

Auditor's Conclusion

The municipality should maintain adequate documentation to support all expenditures. During our next examination we will determine if the municipality complied with our recommendations.

TOWNSHIP OF JORDAN
NORTHUMBERLAND COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

Finding No. 2 - Commingling Of Funds

Our examination disclosed that municipality commingled money from the Liquid Fuels Tax Fund with the General Fund without crediting interest earned to the Liquid Fuels Tax Fund.

The Liquid Fuels Tax Municipal Allocation Law, Title 72 P.S. § 2615.5, provides, in pertinent part, that in order to qualify for its share of the money provided, each municipality shall:

- (4) establish and maintain a special fund into which the moneys provided in section 4, clause (1) of this act shall be deposited and into which no other moneys may be deposited or commingled; . . .

Although this section of the Liquid Fuels Tax Municipal Allocation Law provides that money received under the Liquid Fuels Tax Act may not be commingled with other municipal funds, this does not mean that they cannot be combined for investment purposes, as long as certain conditions are met. The Pennsylvania Department of Transportation's Publication 9, Chapter Two, Section 2.6.1, states:

All monies in the liquid fuels account should be invested to earn interest until expended and may be combined with other municipal funds for investment purposes. However, the municipality must maintain records (MS-994 investment Schedule or its equivalent) that provide a clear audit trail for both the principal and interest earnings.

Recommendation

We further recommend that, when liquid fuels funds are combined with other funds for investment purposes, a clear examination trail must be established as indicated above, and interest must be prorated.

Management's Response

The municipal officials stated:

Commingled funds will be credited with interest as required. In 2014 the funds began to split. When audit is finalized all Liquid Fuels funds will be moved from the General Fund to eliminate this issue.

TOWNSHIP OF JORDAN
NORTHUMBERLAND COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

Finding No. 2 - Commingling Of Funds (Continued)

Auditor's Conclusion

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

TOWNSHIP OF JORDAN
 NORTHUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 SUMMARY OF PRIOR EXAMINATIONS' RECOMMENDATIONS
 FOR THE PERIOD
 JANUARY 1, 2013 TO DECEMBER 31, 2014

Summary Of 2010-2011 Examination Recommendations

In our 2010-2011 report we recommended that the Department of Transportation review our examination findings to determine if the municipality should reimburse \$63,124.73 to its Liquid Fuels Tax Fund. This amount consists of \$62,140.73 for a failure to advertise for bids and \$984.00 for excavation services performed by a business owned by a township supervisor.

During our current examination we reviewed a letter dated January 9, 2014, from the Department of Transportation informing the municipality to reimburse \$63,124.73 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed \$25,984.64 to its Liquid Fuels Tax Fund on April 29, 2013. We reviewed another letter dated June 2, 2014 from the Department of Transportation approving the following payment plan for the remaining balance of \$37,140.09:

<u>Due Date</u>	<u>Amount</u>
06/30/15	\$ 9,285.03
06/30/16	9,285.02
06/30/17	9,285.02
06/30/18	<u>9,285.02</u>
Total	<u>\$37,140.09</u>

TOWNSHIP OF JORDAN
 NORTHUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 SUMMARY OF PRIOR EXAMINATIONS RECOMMENDATIONS
 FOR THE PERIOD
 JANUARY 1, 2013 TO DECEMBER 31, 2014

Summary Of 2012 Examination Recommendations

In our 2012 report we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$39,794.40 to its Liquid Fuels Tax Fund. This amount consists of \$23,457.05 for a failure to advertise for bids and \$16,337.35 for a failure to maintain documentation for price quotations.

During our current examination we reviewed a letter dated August 1, 2014, from the Department of Transportation informing the municipality to reimburse \$39,749.40 to its Liquid Fuels Tax Fund. We reviewed another letter dated October 9, 2014 from the Department of Transportation approving the following payment plan:

<u>Due Date</u>	<u>Amount</u>
06/30/15	\$ 6,700.00
06/30/16	6,700.00
06/30/17	6,700.00
06/30/18	6,700.00
06/30/19	6,700.00
06/30/20	<u>6,294.40</u>
Total	<u>\$39,794.40</u>

In our 2012 report we also recommended:

- That the municipality comply with *The Second Class Township Code 9* by advertising for bids for all purchases over \$18,500.00. The threshold for advertising for bids increased to purchases over \$18,900.00 for 2013, \$19,100.00 for 2014, and \$19,500.00 for 2015.
- That the municipality comply with *The Second Class Township Code* by obtaining price quotations for all purchases between \$10,000.00 and \$18,500.00. The thresholds for obtaining price quotations increased to purchases between \$10,200.00 and \$18,900.00 for 2013, and \$10,300.00 and \$19,100.00 for 2014, and \$10,500.00 and \$19,400.00 for 2015.

During our current examination we noted that the municipality complied with our recommendations.

TOWNSHIP OF JORDAN
NORTHUMBERLAND COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

An exit conference was held May 11, 2015. Those participating were:

TOWNSHIP OF JORDAN

Ms. Michele Wiest, 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 JORDAN
NORTHUMBERLAND COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

This report was initially distributed to:

The Honorable Leslie Richards
Secretary
Department of Transportation

Township of Jordan
Northumberland County
444 Jordan Township Road
Herndon, PA 17830

The Honorable Glen N. Schreffler

Chairman of the Board of Supervisors

Ms. Michele Wiest

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.