

ATTESTATION ENGAGEMENT

Township of Northampton

Bucks County, Pennsylvania

09-218

Liquid Fuels Tax Fund

For the Period

January 1, 2013 to December 31, 2014

May 2016



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 Northampton, Bucks 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 Northampton, Bucks 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, the township expended \$35,553.65 during 2014 from its Liquid Fuels Tax Fund for traffic signal maintenance without advertising for bids. Additionally, as discussed in Finding No. 2, the township expended \$16,790.44 during 2013 for traffic signal maintenance without maintaining documentation for price quotations. As discussed in Finding No. 3, they township expended \$2,445.00 during 2014 from the Liquid Fuels Tax Fund for washing salt off of plow trucks, which is a nonpermissible expenditure.

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 Northampton, Bucks 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 internal control over reporting on the Forms MS-965 or on compliance and other matters; accordingly, we express no such opinions.

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

Our consideration of internal control over reporting on the Forms MS-965 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 would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our engagement we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Independent Auditor's Report (Continued)

As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of Township of Northampton, Bucks County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of amounts on the Forms MS-965. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that are required to be reported under *Government Auditing Standards*:

- Noncompliance With Advertising And Bidding Requirements.
- Documentation For Price Quotations Was Not Available For Examination - Recurring.
- Nonpermissible Expenditure.

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:

- Late Receipt Of Allocation.

We are concerned that the municipality failed to correct our prior examination finding for failing to maintain documentation for price quotations. During our current examination the municipality was in noncompliance with advertising and bidding requirements, failed to maintain documentation for price quotations, made a nonpermissible expenditure, and received its 2014 Liquid Fuels Tax Fund allocation late.

The failure to comply with the advertising and bidding requirements of *The Second Class Township Code* could result in the township having to reimburse \$35,553.65 to its Liquid Fuels Tax Fund. Additionally, the failure to obtain price quotations as required *The Second Class Township Code* could result in the township having to reimburse \$16,790.44 to its Liquid Fuels Tax Fund. Furthermore, the failure to follow the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations as noted above could result in the municipality having to reimburse \$2,445.00 to its Liquid Fuels Tax Fund. Also, because the municipality failed to file documents and information timely as noted above, the municipality did not have use of the 2014 allocation for two months.

The municipality should strive to comply with 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 Northampton, Bucks 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 Northampton, Bucks 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.

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

April 6, 2016

Eugene A. DePasquale
Auditor General

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TOWNSHIP OF NORTHAMPTON
BUCKS 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 NORTHAMPTON
 BUCKS 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	\$ -	\$ -	\$ -
Minor equipment purchases	8,484.60	-	8,484.60
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	2,046.00	4,026.41	6,072.41
Winter maintenance services	200,692.67	23,190.32	223,882.99
Traffic control devices	49,360.33	18,356.52	67,716.85
Street lighting	32,164.57	-	32,164.57
Storm sewers and drains	14,481.77	-	14,481.77
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	15,543.31	40,926.75	56,470.06
Highway construction and rebuilding projects	315,723.16	-	315,723.16
Miscellaneous	86,500.00	(86,500.00)	-
 Total (To Section 2, Line 5)	 <u>\$ 724,996.41</u>	 <u>\$ -</u>	 <u>\$ 724,996.41</u>

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

TOWNSHIP OF NORTHAMPTON
BUCKS COUNTY
LIQUID FUELS TAX FUND
2013 FORM MS-965 – SECTION 2
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2013	\$ 187,024.16	\$ -	\$ 187,024.16
Receipts:			
2. State allocation	859,775.09	-	859,775.09
2a. Turnback allocation	37,240.00	-	37,240.00
2b. Interest on investments (Note 3)	1,031.00	-	1,031.00
2c. Miscellaneous (Note 5)	49,951.47	-	49,951.47
3. Total receipts	<u>947,997.56</u>	<u>-</u>	<u>947,997.56</u>
4. Total funds available	<u>1,135,021.72</u>	<u>-</u>	<u>1,135,021.72</u>
5. Expenditures (Section 1)	<u>724,996.41</u>	<u>-</u>	<u>724,996.41</u>
6. Balance, December 31, 2013	<u>\$ 410,025.31</u>	<u>\$ -</u>	<u>\$ 410,025.31</u>

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

TOWNSHIP OF NORTHAMPTON
 BUCKS COUNTY
 LIQUID FUELS TAX FUND
 2013 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	\$ 113,038.79	\$ 45,000.00	\$ 158,038.79
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	179,403.02	-	179,403.02
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	292,441.81	45,000.00	337,441.81
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>292,441.81</u>	<u>45,000.00</u>	<u>337,441.81</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 292,441.81</u>	<u>\$ 45,000.00</u>	<u>\$ 337,441.81</u>

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

TOWNSHIP OF NORTHAMPTON
 BUCKS COUNTY
 LIQUID FUELS TAX FUND
 2014 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 9,875.33	\$ -	\$ 9,875.33
Minor equipment purchases	11,437.47	-	11,437.47
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	4,586.15	-	4,586.15
Winter maintenance services	631,648.83	-	631,648.83
Traffic control devices	72,176.46	-	72,176.46
Street lighting	32,591.49	-	32,591.49
Storm sewers and drains	17,723.08	-	17,723.08
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	25,919.64	-	25,919.64
Highway construction and rebuilding projects	411,335.78	-	411,335.78
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 1,217,294.23</u>	 <u>\$ -</u>	 <u>\$ 1,217,294.23</u>

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

TOWNSHIP OF NORTHAMPTON
BUCKS COUNTY
LIQUID FUELS TAX FUND
2014 FORM MS-965 – SECTION 2
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2014	\$ 410,025.31	\$ -	\$ 410,025.31
Receipts:			
2. State allocation	926,501.53	-	926,501.53
2a. Turnback allocation	37,240.00	-	37,240.00
2b. Interest on investments (Note 3)	1,058.00	-	1,058.00
2c. Miscellaneous (Note 5)	56,813.28	-	56,813.28
3. Total receipts	<u>1,021,612.81</u>	<u>-</u>	<u>1,021,612.81</u>
4. Total funds available	<u>1,431,638.12</u>	<u>-</u>	<u>1,431,638.12</u>
5. Expenditures (Section 1)	<u>1,217,294.23</u>	<u>-</u>	<u>1,217,294.23</u>
6. Balance, December 31, 2014	<u>\$ 214,343.89</u>	<u>\$ -</u>	<u>\$ 214,343.89</u>

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

TOWNSHIP OF NORTHAMPTON
 BUCKS 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	\$ 292,441.81	\$ 45,000.00	\$ 337,441.81
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	192,748.31	-	192,748.31
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	485,190.12	45,000.00	530,190.12
5. Less: Major equipment expenditures	<u>9,875.33</u>	<u>-</u>	<u>9,875.33</u>
6. Remainder	<u>475,314.79</u>	<u>45,000.00</u>	<u>520,314.79</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 214,343.89</u>	<u>\$ -</u>	<u>\$ 214,343.89</u>

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

TOWNSHIP OF NORTHAMPTON
 BUCKS 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 was received from the Department of Transportation during the first week in April of each year through 2013. Municipalities began receiving the state allocation in March of each year beginning in 2014. The amount the municipality receives is based half on its population and half on its road mileage.
- The turnback allocation was received from the Department of Transportation during the first week in April of each year through 2013. Municipalities began receiving the turnback allocation in March of each year beginning in 2014. 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 NORTHAMPTON
BUCKS 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 NORTHAMPTON
BUCKS 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 NORTHAMPTON
BUCKS 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	<u>\$214,343.89</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 \$1,031.00 during 2013, and \$1,058.00 during 2014, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2013 - Section 1

Adjustments were made to "Cleaning streets and gutters," "Winter maintenance services," "Traffic control devices," "Maintenance and repair of roads and bridges," and "Miscellaneous" because expenditures of \$86,500.00 were misclassified.

2013 - Section 3

An adjustment of \$45,000.00 was made to "Prior year equipment balance" because of prior report adjustments that were not carried forward in the equipment balance.

2014 - Section 3

An adjustment of \$45,000.00 was made to "Prior year equipment balance" to reflect the adjustment made to the equipment balance in 2013 - Section 3.

TOWNSHIP OF NORTHAMPTON
BUCKS 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 2011 examination recommendation)	\$16,460.69	\$ -
Department of Transportation	Winter maintenance agreement	29,576.67	30,100.12
General Fund	Grants	3,914.11	3,889.08
Warminster Township	Sale of road salt	-	2,824.64
P.E.M.A.	Severe weather assistance		19,999.44
	Totals	<u>\$49,951.47</u>	<u>\$56,813.28</u>

6. Lease-Purchase Agreement

On April 4, 2010, the municipality entered into a lease-purchase agreement with TD Equipment Finance to purchase six vehicles for \$360,044.00. This amount consists of \$56,844.00 for a 2011 Ford F-450 truck, \$169,246.00 for a Schwartz Model A700 street sweeper, \$38,500.00 for a Steap MFG crack sealer, \$23,246.00 for a Chevrolet cargo van, \$31,185.00 for a GMC Sierra 1500 truck, and \$41,023.00 for a 2011 Ford Super Duty F-350 truck. The amount eligible to be paid from the Liquid Fuels Tax Fund is \$336,798.00, plus interest. The agreement was for a term of five years at an interest rate of 3.15 percent. Principal and interest payments of \$76,535.97 are due annually. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$189,532.69 and \$13,913.81, respectively. Additionally, the municipality paid principal of \$24,369.20 and interest of \$1,792.21 from the Parks and Recreation Fund.

During the current examination period, the municipality paid principal of \$146,142.11 and interest of \$6,929.83 from the Road Equipment Capital Fund. The lease-purchase agreement was paid-in-full as of April 1, 2014.

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

7. Lease-Purchase Agreement

On April 2, 2012, the municipality entered into a lease-purchase agreement with California First National Bank to purchase seven vehicles and two pieces of vehicle equipment for \$406,600.00. This amount consists of \$78,000.00 for two Chevrolet Tahoes for the police department, \$35,000.00 for a 2012 Chevrolet pick-up truck, \$129,750.00 for a 2012 International dump truck, \$30,000.00 for a 2012 GMC Sierra for prison transport, \$41,600.00 for a 2012 GMC Sierra for emergency response, \$78,000.00 for a 2012 International 7400 SFA 4x2 dump truck, \$10,000.00 for a hydraulic plow, and \$4,250.00 for miscellaneous equipment. The amount eligible to be paid from the Liquid Fuels Tax Fund is \$217,750.00, plus interest. The agreement was for a term of five years at an interest rate of 1.87 percent. Principal and interest payments of \$94,632.42 are due annually for years one through three and \$68,177.50 for years four and five. A prior year principal payment from the Liquid Fuels Tax Fund was \$45,178.49. Additionally, the municipality paid principal of \$49,453.93 from the General Fund.

During the current examination period, the municipality paid principal of \$179,344.14 and interest of \$9,920.70 from the Road Equipment Capital Fund. The outstanding balance of the lease-purchase agreement as of December 31, 2014 was \$132,623.44, plus interest. This amount is eligible to be paid from the Liquid Fuels Tax Fund.

8. Lease-Purchase Agreement

On April 30, 2014, the municipality entered into a lease-purchase agreement with Bank of America to purchase one vehicle and various pieces of equipment for \$303,000.00. This amount consists of \$35,681.00 for a 2014 Jeep Cherokee, \$82,667.96 for ten police workstations, \$69,557.44 for a server for the police department, \$19,172.00 for a message board, \$66,466.03 for a Henderson Pro Brine System, \$26,235.00 for an industrial chipper, and \$3,220.57 as yet unspent. The amount eligible to be paid from the Liquid Fuels Tax Fund is \$65,153.99, plus interest. The agreement was for a term of seven years at an interest rate of 2.02 percent. Principal and interest payments of \$45,925.43 are due annually.

During the current examination period, the municipality paid principal of \$9,875.33 from the Liquid Fuels Tax Fund. This amount is reflected in major equipment purchases on the 2014 Form MS-965 - Section 1. Additionally, the municipality paid principal of \$36,050.10 from the Road Equipment Capital Fund. The outstanding balance of the lease-purchase agreement as of December 31, 2014 was \$257,074.57, plus interest. The amount eligible to be paid from the Liquid Fuels Tax Fund is \$55,278.66, plus interest.

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

Finding No. 1 - Noncompliance With Advertising And Bidding Requirements

Our examination disclosed that the township expended \$35,553.65 in 2014 from the Liquid Fuels Tax Fund for the traffic signal maintenance without advertising for bids. These expenditures were as follows:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>
46659	01/06/14	1697	01/08/14	\$ 365.00
46660	01/06/14	1697	01/08/14	120.00
46661	01/06/14	1697	01/08/14	95.00
46833	01/06/14	1697	01/08/14	701.25
46834	01/06/14	1697	01/08/14	145.00
47250	02/18/14	1764	03/12/14	142.50
47279	02/26/14	1764	03/12/14	430.00
47280	02/26/14	1764	03/12/14	142.50
47366	03/06/14	1769	03/26/14	303.50
47419	03/12/14	1769	03/26/14	359.77
47514	03/21/14	1771	04/09/14	145.00
47515	03/21/14	1771	04/09/14	842.20
47516	03/21/14	1771	04/09/14	275.00
47742	03/28/14	1774	04/23/14	3,375.00
48431	06/18/14	1795	07/09/14	181.25
48926	07/31/14	1817	08/27/14	127.50
48901	07/31/14	1817	08/27/14	19,348.00
49114	08/21/14	1825	09/17/14	332.52
49115	08/21/14	1825	09/17/14	100.00
49334	09/15/14	1836	10/08/14	215.96
49655	10/17/14	1847	11/05/14	262.49
49687	10/21/14	1847	11/05/14	100.00
49802	10/28/14	1854	11/19/14	100.00
49804	10/28/14	1854	11/19/14	2,535.00
49932	11/10/14	1859	12/10/14	1,010.00
49933	11/10/14	1859	12/10/14	2,674.62
50114	11/28/14	1859	12/10/14	919.00
50115	11/28/14	1859	12/10/14	105.59
50116	11/28/14	1859	12/10/14	100.00
Total				<u>\$35,553.65</u>

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

Finding No. 1 - Noncompliance With Advertising And Bidding Requirements (Continued)

The above expenditures were not made in compliance with the advertising, bidding, and contract requirements of *The Second Class Township Code*, 53 P.S. § 68102(a), (also found at § 3102(a) of *The Second Class Township Code* as published by the Local Government Commission), which requires that purchases over \$18,500.00 during 2012 must be advertised, bid, and awarded by contract. The bidding threshold increased to purchases over \$19,100.00 for 2014, and \$19,400.00 for 2015 and 2016. *The Second Class Township Code*, 53 P.S. § 68104(a), (also found at § 3104(a) of *The Second Class Township Code* as published by the Local Government Commission) further states that advertising, bidding and contract requirements should not be evaded through piecemeal purchases.

The failure to comply with *The Second Class Township Code* could result in the township having to reimburse \$35,553.65 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the township reimburse \$35,553.65 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the township complies with *The Second Class Township Code* as noted in this finding.

Management's Response

The Finance Director stated:

The vendor is the sole-provider for these services in our area.

Auditor's Conclusion

There is more than one provider for traffic signal maintenance in the Philadelphia area. Additionally, during 2014 *The Second Class Township Code* required all purchases over \$19,100.00 to be advertised and bid even if the vendor is the sole provider in the area. During our next examination, we will determine if the municipality complied with our recommendations.

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

**Finding No. 2 - Documentation For Price Quotations Was Not Available For Examination -
 Recurring**

We cited the municipality for failing to maintain documentation in our prior two reports with the most recent being for the period January 1, 2012 to December 31, 2012. Our current examination disclosed that the township expended \$16,790.44 during 2013 from the Liquid Fuels Tax Fund for traffic signal maintenance. The township was required to obtain three written or telephonic price quotations for these expenditures. However, documentation for price quotations was not available for examination. The traffic signal maintenance purchases were as follows:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>
43674	01/29/13	1580	02/13/13	836.80
43539	01/16/13	1596	02/27/13	3,375.00
43949	02/25/13	1601	03/13/13	124.20
43940	02/25/13	1601	03/13/13	56.00
43951	02/25/13	1601	03/13/13	341.76
43952	02/25/13	1601	03/13/13	156.47
43953	02/25/13	1601	03/13/13	124.40
44095	03/07/13	1604	03/27/13	1,437.11
44244	03/28/13	1607	04/10/13	142.50
44394	04/16/13	1612	05/08/13	1,200.00
44396	04/16/13	1612	05/08/13	217.50
44735	05/30/13	1624	06/12/13	1,359.79
44737	05/30/13	1624	06/12/13	130.00
44740	05/30/13	1624	06/12/13	142.50
45067	07/10/13	1634	07/24/13	259.20
45069	07/10/13	1634	07/24/13	217.50
45316	07/30/13	1639	08/14/13	95.00
45317	07/30/13	1639	08/14/13	326.00
45595	09/04/13	1648	09/25/13	2,303.43
45596	09/04/13	1648	09/25/13	906.07
45840	10/01/13	1659	10/23/13	190.00
45841	10/01/13	1659	10/23/13	142.50
46031	10/23/13	1663	11/06/13	145.00
46178	11/11/13	1679	12/11/13	847.50
46179	11/11/13	1679	12/11/13	1,354.21
46300	11/15/13	1679	12/11/13	180.00
46304	11/15/13	1679	12/11/13	180.00
Total				\$16,790.44

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

**Finding No. 2 - Documentation For Price Quotations Was Not Available For Examination -
Recurring (Continued)**

The above expenditures were not made in compliance with the contract requirements of *The Second Class Township Code*, 53 P.S. § 68102(b), (also found at § 3102(b) of *The Second Class Township Code* as published by the Local Government Commission), which states, in part:

Written or telephonic price quotations from at least three qualified and responsible contractors shall be requested for all contracts [during 2013] that exceed ten thousand dollars (\$10,200.00) but are less than the amount [in excess of \$18,900.00] requiring advertisement and competitive bidding or, in lieu of price quotations, a memorandum shall be kept on file showing that fewer than three qualified contractors exist in the market area within which it is practicable to obtain quotations. A written record of telephonic price quotations shall be made and shall contain at least the date of the quotation, the name of the contractor and the contractor's representative, the construction, reconstruction, repair, maintenance or work which was the subject of the quotation and the price. Written price quotations, written records of telephonic price quotations and memoranda shall be retained for a period of three years.

The thresholds for obtaining price quotations increased to purchases between \$10,300.00 and \$19,100.00 for 2014, and \$10,500.00 and \$19,400.00 for 2015 and 2016.

The failure to comply with *The Second Class Township Code* could result in the township having to reimburse \$16,790.44 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the township reimburse \$16,790.44 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the township complies with *The Second Class Township Code* as noted in this finding.

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

**Finding No. 2 - Documentation For Price Quotations Was Not Available For Examination -
Recurring (Continued)**

Management's Response

The finance director stated:

The vendor is the sole-provider for these services in our area.

Auditor's Conclusion

There is more than one provider for traffic signal maintenance in the Philadelphia area. The Department of Transportation will determine if the reimbursement of \$16,790.44 will be required. During our next examination, we will determine if the municipality complied with our recommendations.

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

Finding No. 3 - Nonpermissible Expenditure

Our examination disclosed that the municipality expended \$2,445.00 during 2014 from the Liquid Fuels Tax Fund for washing salt off of plow trucks, which is a nonpermissible expenditure.

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 washing salt off of plow trucks, are outside the scope of permissible expenditures.

The failure to follow the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations as noted above could result in the municipality having to reimburse \$2,445.00 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$2,445.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the municipality complies with the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations regarding permissible expenditures.

Management's Response

The finance director stated:

Please identify nonpermissible expenditure.

Auditor's Conclusion

As stated above, the municipality expended Liquid Fuels Tax Fund money for washing salt off of plow trucks, which is not permitted to be paid from the Liquid Fuels Tax Fund. During our next examination, we will determine if the municipality complied with our recommendations.

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

Finding No. 4 - Late Receipt Of Allocation

Our examination disclosed that the 2014 Liquid Fuels Tax Fund allocation of \$926,501.53, which should have been distributed from the Department of Transportation to the municipality during the first week of March of that year, was not received until May 1, 2014, because the municipality failed to comply with the Department of Transportation's *Publication 9*, Chapter Two, Section 2.4, which states:

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

- Submit annual reports (MS-965, Actual Use Report, MS-965P, Project and Miscellaneous Receipts, and MS-965S, Record of Checks).
- Make deposits and payments or expenditures in compliance with the Act 655. Failure to do so may result in not receiving allocations from PENNDOT until all discrepancies are resolved.
- Submit the Pennsylvania Department of Community and Economic Development's (DCED) Report of Elected and Appointed Officials by January 31st and the Survey of Financial Condition by March 15th.
- Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.

Because the municipality failed to file documents and information timely as noted above, the municipality did not have use of the 2014 allocation for two 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 complies with the Department of Transportation's *Publication 9* to ensure that the allocations are received timely.

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

Finding No. 4 - Late Receipt Of Allocation (Continued)

Management's Response

The Finance Director stated:

We had difficulty with DCED website, information posted apparently not submitted.

Auditor's Conclusion

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

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

Summary Of 2011 Examination Recommendations

In our 2011 report, we recommended that the Department of Transportation review our examination findings to determine if the municipality should reimburse \$16,460.69 to its Liquid Fuels Tax Fund. This amount consists of \$8,277.93 for failure to maintain documentation for price quotations and \$8,182.76 for Liquid Fuels money overexpended on a project.

During our 2012 examination, we reviewed a letter dated September 30, 2013, from the Department of Transportation informing the municipality to reimburse \$16,460.69 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on September 19, 2013.

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 \$14,357.50 to its Liquid Fuels Tax Fund for a failure to maintain documentation for price quotations.

During our current examination, we noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on April 21, 2015, which was subsequent to our examination period.

In our 2012 report, we also recommended that the municipality comply with *The Second Class Township Code* and the Department of Transportation's *Publication 9* 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 had not complied with our recommendation (see Finding No. 2).

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

An exit conference was held March 31, 2016. Those participating were:

TOWNSHIP OF NORTHAMPTON

Mr. Robert M. Armelin, Finance Director

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Nicole Cordisco, Auditor

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

TOWNSHIP OF NORTHAMPTON
BUCKS 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 Northampton
Bucks County
55 Township Road
Richboro, PA 18954

The Honorable Barry Moore
Chairman of the Board of Supervisors

Mr. Robert M. Armelin
Finance Director

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.