

ATTESTATION ENGAGEMENT

Township of Martic
Lancaster County, Pennsylvania
36-224
Liquid Fuels Tax Fund
For the Period
January 1, 2015 to December 31, 2016

August 2017



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



Commonwealth of Pennsylvania
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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 Martic, Lancaster County, for the period January 1, 2015 to December 31, 2016. The municipality's management is responsible for presenting the Forms MS-965 in accordance with the criteria set forth in Note 1. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Forms MS-965 are fairly stated based on the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the Forms MS-965. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the Forms MS-965, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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 municipality did not maintain documentation, such as invoices or payroll records, to support a transfer of \$42,863.35 from the Liquid Fuels Tax Fund to the General Fund on January 27, 2015.

In our opinion, except for the matter 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 Martic, Lancaster County, for the period January 1, 2015 to December 31, 2016, 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.

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.

Independent Auditor's Report (Continued)

Our consideration of the internal control was for the limited purpose of expressing an opinion on whether the Form 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 Transfer To The General Fund Was Not Available For Examination - Recurring.

As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Township of Martic, Lancaster 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*.

The purpose of this report is to determine whether the municipality's Liquid Fuels Tax Fund money is spent in accordance with the laws and regulations identified in the Background section of this report and the Department of Transportation's *Publication 9*. This report is not suitable for any other purpose.

We appreciate the courtesy extended by the Township of Martic, Lancaster 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

July 31, 2017

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TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2016

Background

The Liquid Fuels Tax Municipal Allocation Law, Act 655 of 1956, as amended, (72 P.S. § 2615.5 et seq.), 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 allocation of Liquid Fuels Tax funds and annual maintenance payments that it receives into a special fund called either 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 such a 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. Department of Transportation's *Publication 9* includes the policies and procedures for the administration of Act 655, as amended, and the Liquid Fuels Tax Fund money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.

To qualify for the annual allocation of Liquid Fuels Tax funds, *Publication 9* indicates that each municipality shall:

1. Submit annual reports (MS-965, Actual Use Report, MS-965P, Project and Miscellaneous Receipts, and MS-965S, Record of Checks).
2. Make deposits and payments or expenditures in compliance with Act 655 of 1956, as amended. Failure to do so may result in not receiving allocations from PennDOT until all discrepancies are resolved. *Publication 9*, Section 2.6, includes information about investing Liquid Fuels Tax monies, using loan or bond proceeds, and types of receipts into the Liquid Fuels Tax Fund.

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2016

Background (Continued)

3. 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.
4. Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.
5. Ensure resolution of all reimbursements required as a result of audits performed by the Department of the Auditor General or monitoring reviews performed by the Department of Transportation's Financial Consultants.

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
2015 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	-	-	-
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	222,261.78	-	222,261.78
Miscellaneous (Finding)	<u>28,061.37</u>	<u>14,801.98</u>	<u>42,863.35</u>
Total (To Section 2, Line 5)	<u>\$ 250,323.15</u>	<u>\$ 14,801.98</u>	<u>\$ 265,125.13</u>

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

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
2015 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, 2015	\$ 490,348.61	\$ -	\$ 490,348.61
Receipts:			
2. State allocation	205,066.23	-	205,066.23
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	24,209.07	15,744.60	39,953.67
2c. Miscellaneous	-	-	-
3. Total receipts	<u>229,275.30</u>	<u>15,744.60</u>	<u>245,019.90</u>
4. Total funds available	<u>719,623.91</u>	<u>15,744.60</u>	<u>735,368.51</u>
5. Expenditures (Section 1)	<u>250,323.15</u>	<u>14,801.98</u>	<u>265,125.13</u>
6. Balance, December 31, 2015	<u><u>\$ 469,300.76</u></u>	<u><u>\$ 942.62</u></u>	<u><u>\$ 470,243.38</u></u>

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

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
2015 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	\$ 106,138.81	\$ -	\$ 106,138.81
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	41,013.25	-	41,013.25
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	147,152.06	-	147,152.06
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>147,152.06</u>	<u>-</u>	<u>147,152.06</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 147,152.06</u>	<u>\$ -</u>	<u>\$ 147,152.06</u>

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

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
2016 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	-	-	-
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	246,870.82	-	246,870.82
Miscellaneous	<u>18,493.36</u>	<u>(18,493.36)</u>	<u>-</u>
Total (To Section 2, Line 5)	<u>\$ 265,364.18</u>	<u>\$ (18,493.36)</u>	<u>\$ 246,870.82</u>

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

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
2016 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, 2016	\$ 469,300.76	\$ 942.62	\$ 470,243.38
Receipts:			
2. State allocation	239,380.19	-	239,380.19
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	29,727.37	30,851.17	60,578.54
2c. Miscellaneous (Summary Of Prior Examination Recommendations)	127,162.71	-	127,162.71
3. Total receipts	396,270.27	30,851.17	427,121.44
4. Total funds available	865,571.03	31,793.79	897,364.82
5. Expenditures (Section 1)	265,364.18	(18,493.36)	246,870.82
6. Balance, December 31, 2016	<u>\$ 600,206.85</u>	<u>\$ 50,287.15</u>	<u>\$ 650,494.00</u>

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

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
2016 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	\$ 147,152.06	\$ -	\$ 147,152.06
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	47,876.04	-	47,876.04
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	195,028.10	-	195,028.10
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>195,028.10</u>	<u>-</u>	<u>195,028.10</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 195,028.10</u>	<u>\$ -</u>	<u>\$ 195,028.10</u>

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

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2016

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:

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015/2016</u>
<u>\$10,000.00</u>	<u>\$10,200.00</u>	<u>\$10,300.00</u>	<u>\$10,500.00</u>

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

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015/2016</u>
<u>\$10,000.00</u>	<u>\$10,200.00</u>	<u>\$10,300.00</u>	<u>\$10,500.00</u>

- 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 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 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 MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2016

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 MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2016

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 And Investments

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

- United States Treasury Bills.
- Short-term obligations of the United States government or its agencies or instrumentalities.
- 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.
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2016

2. Deposits And Investments (Continued)

- Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that company are in authorized investments for second class township funds.
- Certificates of deposit purchased from institutions insured by the FDIC or other like insurance to the extent that the 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

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, 2014. Custodial credit risk, as defined by GASB No. 40, as amended, 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 township's name.

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2016

2. Deposits And Investments (Continued)

Investments

The township is authorized to invest Liquid Fuels Tax Fund money in legal investments permitted by *The Second Class Township Code* (see above).

As of December 31, 2016, the township's Liquid Fuels Tax Fund had the following investments:

<u>Investment Type</u>	<u>Maturity Date</u>	<u>Cost</u>	<u>Fair Value</u>
GNMA Security	06/20/33	\$101,005.00	\$ 82,584.36
GNMA Security	07/20/33	37,375.00	25,639.59
GNMA Security	03/16/34	24,245.00	26,206.56
GNMA Security	09/20/34	39,395.00	40,992.12
GNMA Security	08/20/35	96,965.00	74,216.10
GNMA Security	07/16/39	22,604.50	22,332.31
GNMA Security	06/20/40	11,136.00	11,639.28
GNMA Security	12/16/40	28,005.00	30,233.28
GNMA Security	03/16/42	9,143.50	10,065.60
GNMA Security	01/20/43	36,636.00	34,506.20
GNMA Security	05/20/43	41,192.83	40,463.00
GNMA Security	05/20/45	19,607.00	18,753.20
GNMA Security	05/20/45	21,561.50	20,952.58
Total		<u>\$488,871.33</u>	<u>\$438,584.18</u>

There were no investments exposed to custodial credit risk as of December 31, 2016.

Credit Risk: As of December 31, 2016, the township's investments in GNMA are guaranteed by the United States Government.

Interest Rate Risk: The township does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2016

2. Deposits And Investments (Continued)

Fund Balance

The fund balance consists of the following:

Cash	\$161,622.67
Investments	<u>488,871.33</u>
Total	<u><u>\$650,494.00</u></u>

3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in interest-bearing accounts and approved investments which earned \$39,953.67 during 2015, and \$60,578.54 during 2016, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2015 - Section 1

An adjustment of \$14,801.98 was made to "Miscellaneous" because these expenditures were understated.

2015 - Section 2

An adjustment of \$15,744.60 was made to "Interest on investments" because interest earnings were understated.

2016 - Section 1

An adjustment of \$18,493.36 was made to "Miscellaneous" because there were no miscellaneous expenditures.

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2016

4. Adjustments (Continued)

2016 - Section 2

An adjustment of \$942.62 was made to “Balance, January 1, 2016” to reflect the adjustment made to the fund balance in 2015 - Section 2.

An adjustment of \$30,851.17 was made to “Interest on investments” because interest earnings were understated.

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
FINDING AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2016

Finding - Documentation Supporting Transfer To The General Fund Was Not Available For Examination - Recurring

Our examination disclosed that the municipality did not maintain documentation, such as invoices or payroll records, to support a transfer of \$42,863.35 from the Liquid Fuels Tax Fund to the General Fund on January 27, 2015.

Good internal control procedures ensure that there is documentation to support all transfers. 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 transfers 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 transfers made without supporting documentation, are outside the scope of permissible expenditures.

Without adequate documentation, we could not determine if the transfers were permissible according to the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations.

The failure maintain documentation to support transfers could result in the municipality having to reimburse \$42,863.35 to its Liquid Fuels Tax Fund.

A similar finding was also written in our prior report. However, we did not note any expenditures that lacked documentation during 2016.

Recommendations

We recommend that the municipality reimburse \$42,863.35 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
FINDING AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2016

Finding - Documentation Supporting Transfer To The General Fund Was Not Available For Examination - Recurring (Continued)

Management's Response

The township manager stated:

The \$42,863.35 transfer was a net transfer back to the general fund due to transactions that occurred in 2014, when Martic Township changed banks. Our liquid fuels payment was deposited into our new general fund before our updated state fund information was processed. In addition, incorrect transactions were charged to the general and state funds. The discrepancies were discovered at the end of the year and the correction did not appear until the 2015 bank statement. The following transactions occurred that created the transfer in question.

\$162,771.87 was paid from state fund in error - needed to be returned to general fund.

\$ 50,000.00 was paid from general fund in error - returned to state fund.

\$ 69,908.52 was paid from general fund in error - returned to state fund.

\$ 42,863.35 net correction - paid back to general fund.

These entries are documented in our 2014 PennDOT audit.

Auditor's Conclusion

The Department of Transportation could not provide us with documentation of the transfer. During our next examination we will determine if the municipality complied with our recommendations.

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2016

Summary Of Prior Examination Recommendations

In our prior report we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$127,162.71 to its Liquid Fuels Tax Fund because documentation supporting transfers to the general fund was not available for examination.

During our current examination we reviewed a letter dated July 6, 2016, from the Department of Transportation informing the municipality to reimburse \$127,162.71 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on August 1, 2016.

In our prior report we also recommended:

- That the municipality ensure good internal control over transfers by maintaining adequate documentation to support all transfers.
- That the municipality ensure that its Forms MS-965 are complete and accurate.
- That the municipality deposit all liquid fuels tax money promptly into the Liquid Fuels Tax Fund.

During our current examination we noted that the municipality complied with our first bulleted recommendation during 2016 but not 2015, substantially complied with our second bulleted recommendation, and did comply with our third bulleted recommendation.

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2016

An exit conference was held July 21, 2017. Those participating were:

TOWNSHIP OF MARTIC

Ms. Karen Sellers, Township Manager

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Ryan W. Shrauder, Auditor

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

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2016

This report was initially distributed to:

The Honorable Leslie Richards
Secretary
Department of Transportation

Township of Martic
Lancaster County
370 Steinman Farm Road
Pequea, PA 17565

The Honorable Carl T. Drexel
Vice-Chairman of the Board of Supervisors

Ms. Karen Sellers
Township Manager

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.