

ATTESTATION ENGAGEMENT

Township of Monroe
Juniata County, Pennsylvania
34-208
Liquid Fuels Tax Fund
For the Period
January 1, 2013 to December 31, 2014

January 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 Monroe, Juniata 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 Monroe, Juniata 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 the Finding No. 1, the municipality expended \$2,466.69 during 2014 from the Liquid Fuels Tax Fund account to purchase fuel in bulk quantities. However, records for the dispensation of these fuel purchases were not maintained. In addition, as discussed in the Summary Of Prior Examination Recommendations section of this report, the municipality previously expended \$3,382.05 for purchases of fuel without maintaining dispensation records, \$107,991.84 without obtaining project approval, \$4,125.33 over expending liquid fuels money on a project, and \$681.09 for nonpermissible items. As of the date of this report, these amounts had not been reimbursed to the township's Liquid Fuels Tax Fund.

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 Monroe, Juniata 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.

Our consideration of 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. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 a 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. We consider the deficiency below to be a material weakness.

- Fuel Dispensation Records Not Maintained - Recurring.

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 the Township of Monroe, Juniata 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*:

- Liquid Fuels Money Loaned To The General Fund.
- Over Expended Equipment Purchase Tally.

This report is intended solely for the information and use of the Pennsylvania Department of Transportation and the management of the Township of Monroe, Juniata 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 Monroe, Juniata 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

December 29, 2015

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TOWNSHIP OF MONROE
JUNIATA 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 MONROE
 JUNIATA COUNTY
 LIQUID FUELS TAX FUND
 2013 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 20,953.89	\$ -	\$ 20,953.89
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	8,899.22	-	8,899.22
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	5,623.73	-	5,623.73
Maintenance and repair of roads and bridges	45,949.61	-	45,949.61
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Bank service charges)	125.67	-	125.67
 Total (To Section 2, Line 5)	 <u>\$ 81,552.12</u>	 <u>\$ -</u>	 <u>\$ 81,552.12</u>

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

TOWNSHIP OF MONROE
 JUNIATA 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	\$ 293.61	\$ -	\$ 293.61
Receipts:			
2. State allocation	100,436.44	-	100,436.44
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	207.65	-	207.65
2c. Miscellaneous (Note 5)	92,313.80	-	92,313.80
3. Total receipts	<u>192,957.89</u>	<u>-</u>	<u>192,957.89</u>
4. Total funds available	<u>193,251.50</u>	<u>-</u>	<u>193,251.50</u>
5. Expenditures (Section 1)	<u>81,552.12</u>	<u>-</u>	<u>81,552.12</u>
6. Balance, December 31, 2013	<u>\$ 111,699.38</u>	<u>\$ -</u>	<u>\$ 111,699.38</u>

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

TOWNSHIP OF MONROE
 JUNIATA 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	\$ 293.61	\$ -	\$ 293.61
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	20,087.28	-	20,087.28
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	20,380.89	-	20,380.89
5. Less: Major equipment expenditures	20,953.89	-	20,953.89
6. Remainder	(573.00)	-	(573.00)
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	\$ -	\$ -	\$ -

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

TOWNSHIP OF MONROE
 JUNIATA 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	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	11,008.09	-	11,008.09
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	13,914.72	-	13,914.72
Maintenance and repair of roads and bridges	36,835.90	-	36,835.90
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Note 6)	25,366.00	-	25,366.00
 Total (To Section 2, Line 5)	 <u>\$ 87,124.71</u>	 <u>\$ -</u>	 <u>\$ 87,124.71</u>

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

TOWNSHIP OF MONROE
 JUNIATA 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	\$ 111,699.38	\$ -	\$ 111,699.38
Receipts:			
2. State allocation	108,176.92	-	108,176.92
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	331.97	-	331.97
2c. Miscellaneous (Note 5)	25,572.99	-	25,572.99
3. Total receipts	134,081.88	-	134,081.88
4. Total funds available	245,781.26	-	245,781.26
5. Expenditures (Section 1)	87,124.71	-	87,124.71
6. Balance, December 31, 2014	\$ 158,656.55	\$ -	\$ 158,656.55

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

TOWNSHIP OF MONROE
 JUNIATA 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	\$ (573.00)	\$ 573.00	\$ -
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	21,635.38	-	21,635.38
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	21,062.38	573.00	21,635.38
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>21,062.38</u>	<u>573.00</u>	<u>21,635.38</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 21,062.38</u>	<u>\$ 573.00</u>	<u>\$ 21,635.38</u>

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

TOWNSHIP OF MONROE
 JUNIATA 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 MONROE
JUNIATA 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 MONROE
JUNIATA 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 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.

TOWNSHIP OF MONROE
JUNIATA 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>\$158,656.55</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 \$207.65 during 2013, and \$331.97 during 2014, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2014 - Section 3

An adjustment of \$573.00 was made to "Prior year equipment balance" to reflect the adjustment made to the equipment balance in 2013 - Section 3.

TOWNSHIP OF MONROE
 JUNIATA 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:

<u>Source</u>	<u>Description</u>	<u>2013</u>	<u>2014</u>
General Fund	Grants	\$88,188.47	\$ -
Juniata County	County Aid	4,125.33	-
General Fund	Reimbursement (Finding No. 2)	-	15,000.00
General Fund	Reimbursement (Finding No. 3)	-	572.99
General Fund	Temporary loans (Note 8)	-	10,000.00
Totals		<u>\$92,313.80</u>	<u>\$25,572.99</u>

6. Miscellaneous Expenditures

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

<u>Payee</u>	<u>Description</u>	<u>2013</u>	<u>2014</u>
Financial institution	Bank service charges	\$125.67	\$ 366.00
General Fund	Loans to the General Fund (Finding No. 2)	-	15,000.00
General Fund	Reimbursement for temporary loans (Note 8)	-	10,000.00
Totals		<u>\$125.67</u>	<u>\$25,366.00</u>

TOWNSHIP OF MONROE
JUNIATA 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 December 28, 2009, the municipality entered into a lease-purchase agreement with F.N.B. Commercial Leasing to purchase a 2009 Ford F-750 dump truck for \$96,997.00. The agreement was for a term of five years at an interest rate of 3.26 percent. Principal and interest payments of \$21,337.01 are due annually. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$65,701.00 and \$8,310.03, respectively. Additionally, the municipality paid principal of \$10,632.55 and interest of \$704.46 from the General Fund.

During the current examination period, the municipality paid principal of \$20,663.45 and interest of \$290.44 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2013 MS-965 - Section 1. The lease-purchase agreement was paid-in-full on December 23, 2013.

8. Temporary Loans

On both July 9, 2014 and October 6, 2014, the municipality loaned \$5,000.00 from its General Fund to its Liquid Fuels Tax Fund. On October 29, 2014, the municipality transferred \$10,000.00 from its Liquid Fuels Tax Fund to its General Fund to repay the temporary loans.

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

Finding No. 1 - Fuel Dispensation Records Not Maintained

Our examination disclosed that the municipality expended \$2,466.69 during 2014 from the Liquid Fuels Tax Fund account to purchase fuel in bulk quantities. However, records for the dispensation of these fuel purchases were not maintained.

To ensure good internal control of fuel purchases and usage, the municipality should maintain records listing the following information:

- Date.
- Number of gallons pumped.
- License number or identity of the vehicle.
- Intended use.
- Signature of the operator.

Without fuel dispensation records, there is no record that fuel was used for purposes permitted by the Liquid Fuels Tax Municipal Allocation Law. As a result, we could not determine if the expenditures made from the Liquid Fuels Tax Fund to purchase the fuel were permissible.

The failure to maintain records of fuel dispensation as noted above could result in the municipality having to reimburse \$2,466.69 to its Liquid Fuels Tax Fund.

A similar finding was noted in our prior report. However, we noted that the municipality maintained fuel dispensation records during 2015.

Recommendations

We recommend that the municipality reimburse \$2,466.69 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the municipality continue to prepare detailed fuel usage reports to ensure good internal controls over fuel purchases and usage.

TOWNSHIP OF MONROE
JUNIATA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
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Finding No. 1 - Fuel Dispensation Records Not Maintained (Continued)

Management's Response

The Secretary/Treasurer stated:

I began this position on January 1, 2015. The period of time audited was under the previous secretary. We were unable to locate the fuel dispensation reports in the files he provided. However, the fuel reports are currently being maintained effective January 1, 2015.

Auditor's Conclusion

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

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

Finding No. 2 - Liquid Fuels Money Loaned To The General Fund

Our examination disclosed that the municipality loaned \$10,000.00 and \$5,000.00 on January 16, 2014 and April 4, 2014, respectively, from the Liquid Fuels Tax Fund to the General Fund.

Liquid Fuels Tax Fund money appropriated to the municipality in accordance with 72 P.S. § 2615.4 of the Liquid Fuels Tax Municipal Allocation Law can only be expended for purposes authorized by 72 P.S. § 2615.4. The authorized purposes described by 72 P.S. § 2615.4 do not include loaning money from the municipality's Liquid Fuels Tax Fund to the General Fund or any other fund.

If the liquid fuels tax money was maintained in the Liquid Fuels Tax Fund during the entire examination period, money may have been available for investment purposes, potentially earning additional interest which could have been used for road maintenance and repairs. Additionally, the risk that Liquid Fuels Tax Fund money may be used for unauthorized purposes increases when liquid fuels money is commingled with other funds.

On June 2, 2014, the municipality reimbursed \$15,000.00 to the Liquid Fuels Tax Fund.

Recommendation

We recommend that, in the future, the municipality discontinue the practice of loaning liquid fuels money to other funds or accounts.

Management's Response

The Secretary/Treasurer stated:

I do not know why the money was transferred from the Liquid Fuels account to the General Fund and then replaced. We have no plans to continue this practice in the future.

Auditor's Conclusion

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

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

Finding No. 3 - Over Expended Equipment Purchase Tally

Our examination disclosed that the municipality expended \$573.00 in excess of the amount available for the purchase of equipment during 2013 as follows:

<u>2013</u>	<u>Actual</u>
1. Prior year equipment balance	\$ 293.61
2. Current year equipment allocation (20% of Lines 2 + 2A, Section 2)	20,087.28
3. PENNDOT approved adjustments	<u>-</u>
4. Total funds available for equipment acquisition	20,380.89
5. Less: Major equipment purchases	<u>20,953.89</u>
6. Amount Over Expended for equipment - 2013	<u>\$ (573.00)</u>

The Department of Transportation's, *Publication 9*, Appendix D, Section 449.11, 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, 20 percent of the current year's Liquid Fuels Tax Fund allocations, and any approved adjustments.

On February 10, 2014, the municipality reimbursed \$572.99 to the Liquid Fuels Tax Fund, which is \$.01 less than the amount over expended. Additionally, the municipality did not over expend its equipment purchase tally during 2014.

Recommendation

We recommend that the municipality only expend up to the approved amount on equipment expenditures in accordance with the Department of Transportation's *Publication 9*.

Management's Response

The Secretary/Treasurer stated:

We could not locate a receipt for this expenditure. Again, this was done by the previous Secretary and we could not reach him so we are unaware what this expense was for.

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

Finding No. 3 - Over Expended Equipment Purchase Tally (Continued)

Auditor's Conclusion

This expenditure was a for a loan payment discussed in Note 7. The municipality should not spend more than the amount of its equipment purchase tally. During our next examination we will determine if the municipality complied with our recommendation.

TOWNSHIP OF MONROE
JUNIATA COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

Summary Of Prior Examination Recommendations

In our prior report we recommended that the Department of Transportation review our examination findings to determine if the municipality should reimburse \$116,180.31 to its Liquid Fuels Tax Fund. This amount consists of \$3,382.05 for fuel dispensation records not maintained, \$107,991.84 for failure to obtain project approval, \$4,125.33 for over expending liquid fuels money on a project, and \$681.09 for a nonpermissible expenditure. A finding for fuel dispensation records not maintained was also written in our current report (see Finding No. 1).

During our current examination, we reviewed a letter dated August 12, 2015, from the Department of Transportation informing the municipality to reimburse \$116,180.31 to its Liquid Fuels Tax Fund. As of December 17, 2015, the exit conference date of this report, \$116,180.31 had not been reimbursed its Liquid Fuels Tax Fund.

In our prior report we also recommended that the municipality:

- Prepare detailed fuel usage reports to ensure good internal controls over fuel purchases and usages.
- Before expending money on a project, it applies for and obtains prior approval for the project, and when the project is completed, it obtains approval of the completed work.
- Only expend the approved amount of the Liquid Fuels Tax Fund money on road construction projects.
- Comply with the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations regarding permissible expenditures.

During our current examination, we noted that the municipality complied with our recommendations except for the first bulleted item listed above. However, we did note that municipality maintained fuel dispensation records during 2015 (see Finding No. 1).

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

An exit conference was held December 17, 2015. Those participating were:

TOWNSHIP OF MONROE

The Honorable George Sheaffer, Chairman of the Board of Supervisors
Ms. Melanie Leister, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Michael D. Thomas, Auditor

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

TOWNSHIP OF MONROE
JUNIATA 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 Monroe
Juniata County
PO Box 126
788 Sand Valley Road
Richfield, PA 17086

The Honorable George Sheaffer

Chairman of the Board of Supervisors

Ms. Melanie Leister

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.