

# ATTESTATION ENGAGEMENT

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**Township of Conoy**  
Lancaster County, Pennsylvania  
36-207  
Liquid Fuels Tax Fund  
For the Period  
January 1, 2016 to December 31, 2017

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May 2018



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



Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
Facebook: Pennsylvania 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 Conoy, Lancaster County, for the period January 1, 2016 to December 31, 2017. 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 presented in accordance with the criteria described above, 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 Finding No. 1, the adjustments included on the Forms MS-965 With Adjustments are made by the Department of the Auditor General.

## Independent Auditor's Report (Continued)

As discussed in the Findings and Recommendations section of this report:

- The municipality deposited its 2017 Turnback allocation of \$5,160.00 and its Liquid Fuels Tax Fund allocation of \$146,962.59 into the General Fund on March 1, 2017 and March 14, 2017, respectively, which is in noncompliance with the Liquid Fuels Tax Municipal Allocation Law. These amounts were reimbursed to the township's Liquid Fuels Tax Fund on January 4, 2018, which was subsequent to our examination period (Finding No. 2).
- The township expended \$11,946.35 on January 13, 2017, from the Liquid Fuels Tax Fund for line painting. Additionally, the township transferred \$11,686.83 from its Liquid Fuels Tax Fund to its General Fund for a line painting invoice dated November 24, 2015. However, documentation for price quotations was not available for examination (Finding No. 3)
- The municipality transferred \$11,686.83 for line painting from its Liquid Fuels Tax Fund to its General Fund on February 24, 2017 for an expenditure incurred on November 24, 2015, which is a retroactive expenditure. This invoice was also included in Finding No. 3 (Finding No. 4).

In our opinion, except for the bulleted matters discussed above, the Forms MS-965 With Adjustments present, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund of the Township of Conoy, Lancaster County, for the period January 1, 2016 to December 31, 2017, in accordance 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.

## Independent Auditor's Report (Continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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:

- Failure To Properly Prepare Form MS-965.

As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Township of Conoy, 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 the following instances of noncompliance that are required to be reported under *Government Auditing Standards*:

- Liquid Fuels And Turnback Allocations Deposited Into The General Fund.
- Documentation For Price Quotations Was Not Available For Examination.
- Retroactive Expenditure.

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 Conoy, 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

April 30, 2018

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TOWNSHIP OF CONOY  
LANCASTER COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2016 TO DECEMBER 31, 2017

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 CONOY  
LANCASTER COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2016 TO DECEMBER 31, 2017

Background (Continued)

3. Submit the Pennsylvania Department of Community and Economic Development's (DCED) Report of Elected and Appointed Officials by January 31<sup>st</sup> and the Survey of Financial Condition By March 15<sup>th</sup>.
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 CONOY  
LANCASTER COUNTY  
LIQUID FUELS TAX FUND  
2016 FORM MS-965 – SECTION 1  
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	218,241.15	-	218,241.15
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 218,241.15</u>	<u>\$ -</u>	<u>\$ 218,241.15</u>

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



TOWNSHIP OF CONOY  
LANCASTER COUNTY  
LIQUID FUELS TAX FUND  
2016 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, 2016	\$ 287,047.89	\$ -	\$ 287,047.89
Receipts:			
2. State allocation	141,201.93	-	141,201.93
2a. Turnback allocation	5,160.00	-	5,160.00
2b. Interest on investments (Note 3)	1,064.42	-	1,064.42
2c. Miscellaneous (Note 4)	802.50	-	802.50
3. Total receipts	<u>148,228.85</u>	<u>-</u>	<u>148,228.85</u>
4. Total funds available	<u>435,276.74</u>	<u>-</u>	<u>435,276.74</u>
5. Expenditures (Section 1)	<u>218,241.15</u>	<u>-</u>	<u>218,241.15</u>
6. Balance, December 31, 2016	<u><u>\$ 217,035.59</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 217,035.59</u></u>

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

TOWNSHIP OF CONOY  
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	\$ 162,419.94	\$ -	\$ 162,419.94
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	29,272.39	-	29,272.39
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	191,692.33	-	191,692.33
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>191,692.33</u>	<u>-</u>	<u>191,692.33</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 191,692.33</u>	<u>\$ -</u>	<u>\$ 191,692.33</u>

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

TOWNSHIP OF CONOY  
LANCASTER COUNTY  
LIQUID FUELS TAX FUND  
2017 FORM MS-965 – SECTION 1  
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	23,633.18	-	23,633.18
Highway construction and rebuilding projects	231,693.47	-	231,693.47
Miscellaneous (Note 5)	36,893.14	-	36,893.14
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 292,219.79</u>	<u>\$ -</u>	<u>\$ 292,219.79</u>

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

TOWNSHIP OF CONOY  
LANCASTER COUNTY  
LIQUID FUELS TAX FUND  
2017 FORM MS-965 – SECTION 2  
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2017	\$ 217,035.59	\$ -	\$ 217,035.59
Receipts:			
2. State allocation	146,962.59	(146,962.59)	-
2a. Turnback allocation	5,160.00	(5,160.00)	-
2b. Interest on investments (Note 3)	652.43	-	652.43
2c. Miscellaneous (Note 4)	74,686.63	-	74,686.63
3. Total receipts	<u>227,461.65</u>	<u>(152,122.59)</u>	<u>75,339.06</u>
4. Total funds available	<u>444,497.24</u>	<u>(152,122.59)</u>	<u>292,374.65</u>
5. Expenditures (Section 1)	<u>292,219.79</u>	<u>-</u>	<u>292,219.79</u>
6. Balance, December 31, 2017	<u><u>\$ 152,277.45</u></u>	<u><u>\$ (152,122.59)</u></u>	<u><u>\$ 154.86</u></u>

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

TOWNSHIP OF CONOY  
LANCASTER COUNTY  
LIQUID FUELS TAX FUND  
2017 FORM MS-965 – SECTION 3  
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 191,692.33	\$ -	\$ 191,692.33
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	30,424.52	(30,424.52)	-
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	222,116.85	(30,424.52)	191,692.33
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>222,116.85</u>	<u>(30,424.52)</u>	<u>191,692.33</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 152,277.45</u>	<u>\$ (152,122.59)</u>	<u>\$ 154.86</u>

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

TOWNSHIP OF CONOY  
LANCASTER COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2016 TO DECEMBER 31, 2017

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:

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

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

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

- Agility projects are exchanges of services with the Department of Transportation.

Section 2

This section of Form MS-965 With Adjustments provides information on the fund balance. Categories requiring explanation include:

- The state allocation is available from the Department of Transportation in March of each year. The amount the municipality receives is based half on its population and half on its road mileage.
- Municipalities that transferred roads from the Commonwealth of Pennsylvania to the municipality through the Highway Transfer Program receive annual turnback allocations in March of each year from the Department of Transportation. Turnback allocations are based on the mileage of the roads transferred.

TOWNSHIP OF CONOY  
LANCASTER COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2016 TO DECEMBER 31, 2017

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 CONOY  
LANCASTER COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2016 TO DECEMBER 31, 2017

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 CONOY  
LANCASTER COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2016 TO DECEMBER 31, 2017

2. Deposits (Continued)

There were no deposits exposed to custodial credit risk as of December 31, 2017. 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 municipality's name.

Fund Balance

The fund balance as of December 31, 2017, consists of the following:

Cash	\$154.86
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3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in interest-bearing accounts which earned \$1,064.42 during 2016, and \$652.43 during 2017, thus providing additional funds for road maintenance and repairs.

4. Miscellaneous Receipts

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

Source	Description	2016	2017
General Fund	Reimbursement (Summary of 2013- 2014 examination recommendation)	\$802.50	\$ -
Capital Reserve Fund Commonwealth of Pennsylvania	Grant for paving project Deposits in error (Note 5)	-	37,793.49
		\$802.50	36,893.14
Total		\$802.50	\$74,686.63

TOWNSHIP OF CONOY  
LANCASTER COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2016 TO DECEMBER 31, 2017

5. Deposits In Error

On September 25, 2017, the Commonwealth of Pennsylvania electronically deposited \$19,939.74 into its Liquid Fuels Tax Fund in error. On October 18, 2017, the municipality transferred \$19,939.74 from its Liquid Fuels Tax Fund to its Fire Relief Fund to correct the deposits in error.

On September 27, 2017, the Commonwealth of Pennsylvania electronically deposited \$16,953.40 into its Liquid Fuels Tax Fund in error. On October 18, 2017, the municipality transferred \$16,953.40 from its Liquid Fuels Tax Fund to its Pension Fund to correct the deposits in error.

TOWNSHIP OF CONOY  
LANCASTER COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2016 TO DECEMBER 31, 2017

**Finding No. 1 - Failure To Properly Prepare Form MS-965**

Our examination disclosed that there were errors made in the preparation of the municipality's 2017 Form MS-965. These errors resulted in the following adjustments:

2017 - Section 2

- An adjustment of \$(146,962.59) was made to "State allocation" because the 2017 state allocation was deposited into the General Fund and was not transferred to the Liquid Fuels Tax Fund until January 4, 2018.
- An adjustment of \$(5,160.00) was made to "Turnback allocation" because the 2017 Turnback allocation was deposited into the General Fund and was not transferred to the Liquid Fuels Tax Fund until January 4, 2018.

2017 - Section 3

- An adjustment of \$(30,424.52) was made to "Current year equipment allocation" because the state allocation and turnback allocations from 2017 - Section 2, which are used to calculate this figure, were not deposited into the Liquid Fuels Tax Fund until January 4, 2018.

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

Recommendation

We recommend that the municipality ensure that its Form MS-965 is complete and accurate.

Management's Response

The township officials offered no formal response at this time.

Auditor's Conclusion

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

TOWNSHIP OF CONOY  
LANCASTER COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2016 TO DECEMBER 31, 2017

**Finding No. 2 - Liquid Fuels And Turnback Allocations Deposited Into The General Fund**

Our examination disclosed that the municipality deposited its 2017 Turnback allocation of \$5,160.00 and its Liquid Fuels Tax Fund allocation of \$146,962.59 into the General Fund on March 1, 2017 and March 14, 2017, respectively, which is in noncompliance with the Liquid Fuels Tax Municipal Allocation Law. The municipality transferred the allocations to its Liquid Fuels Tax Fund on January 4, 2018, which was subsequent to the examination period.

The practice of depositing liquid fuels money into any account other than the Liquid Fuels Tax Fund account is contrary to the Act of June 1, 1956, P.L. (1955) 1944, 72 P.S. § 2615.5, known as the Liquid Fuels Tax Municipal Allocation Law, which states:

. . .each city, borough, town and township, shall . . . Establish and maintain a special fund into which the moneys [liquid fuels tax funds] . . . shall be deposited and into which no other moneys may be deposited or commingled . . .

The risk that Liquid Fuels Tax Fund money may be used for unauthorized purposes increases when liquid fuels money is comingled with other funds.

We noted that the 2018 Liquid Fuels and Turnback allocations were properly deposited into the municipality's Liquid Fuels Tax Fund.

**Recommendation**

We recommend that, in the future, the municipality deposit all liquid fuels tax money promptly into the Liquid Fuels Tax Fund.

**Management's Response**

The township officials offered no formal response at this time.

**Auditor's Conclusion**

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

TOWNSHIP OF CONOY  
LANCASTER COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2016 TO DECEMBER 31, 2017

**Finding No. 3 - Documentation For Price Quotations Was Not Available For Examination**

Our examination disclosed that the township expended \$11,946.35 on January 13, 2017, from the Liquid Fuels Tax Fund for line painting. Additionally, the township transferred \$11,686.83 from its Liquid Fuels Tax Fund to its General Fund for a line painting invoice dated November 24, 2015 (see Finding No. 4). 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 purchases were as follows:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>
50028	11/16/2016	1012	01/13/2017	\$11,946.35
48687	11/24/2015	EFT	02/24/2017	11,686.83
Total				<u>\$23,633.18</u>

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 2012] that exceed ten thousand dollars (\$10,000.00) but are less than the amount [in excess of \$18,500.00] 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 \$10,500.00 and \$19,400.00 for 2015 and 2016, \$10,700.00 and \$19,700.00 for 2017, and \$10,900.00 and \$20,100.00 for 2018.

The failure to comply with *The Second Class Township Code* could result in the township having to reimburse \$23,633.18 to its Liquid Fuels Tax Fund.

TOWNSHIP OF CONOY  
LANCASTER COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2016 TO DECEMBER 31, 2017

**Finding No. 3 - Documentation For Price Quotations Was Not Available For Examination**  
**(Continued)**

Recommendations

We recommend that the township reimburse \$23,633.18 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 township officials offered no formal response at this time.

Auditor's Conclusion

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

TOWNSHIP OF CONOY  
LANCASTER COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2016 TO DECEMBER 31, 2017

**Finding No. 4 - Retroactive Expenditure**

Our examination disclosed that the municipality transferred \$11,686.83 for line painting from its Liquid Fuels Tax Fund to its General Fund on February 24, 2017 for an expenditure incurred on November 24, 2015, which is a retroactive expenditure. This invoice was also included in Finding No. 3.

The Department of Transportation's *Publication 9* contains the policies and procedures for the administration of the Liquid Fuels Tax Fund. *Publication 9*, Chapter Two, Section 2.7.2, states, in relevant part:

Examples of what Liquid Fuels Tax Fund monies may not be expended for are:

16. Retroactive expenditures or repayment of other funds for prior period expenditures.

Because this expenditure was paid from the General Fund on December 10, 2015, and was not reimbursed with Liquid Fuels Tax Fund money until February 24, 2017, the expenditure incurred was not reimbursed in a reasonable period of time. Therefore, the municipality did not comply with the Department of Transportation's *Publication 9*.

The failure to follow the Department of Transportation's *Publication 9* as noted above could result in the municipality having to reimburse \$11,686.83 to its Liquid Fuels Tax Fund.

**Recommendations**

If the municipality is not required to reimburse its Liquid Fuels Tax Fund due to Finding No. 3, we recommend that the municipality reimburse \$11,686.83 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 Department of Transportation's *Publication 9* as noted above.

**Management's Response**

The township officials offered no formal response at this time.

**Auditor's Conclusion**

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

TOWNSHIP OF CONOY  
LANCASTER COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF 2013-2014 EXAMINATION RECOMMENDATION  
FOR THE PERIOD  
JANUARY 1, 2016 TO DECEMBER 31, 2017

Summary Of 2013-2014 Examination Recommendation

In our 2013-2014 report we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$802.50 to its Liquid Fuels Tax Fund for a nonpermissible expenditure.

During our 2015 examination we reviewed a letter dated January 28, 2016, from the Department of Transportation that informed the municipality to reimburse \$802.50 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on February 3, 2016.



TOWNSHIP OF CONOY  
LANCASTER COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF EXIT CONFERENCE  
FOR THE PERIOD  
JANUARY 1, 2016 TO DECEMBER 31, 2017

An exit conference was held March 30, 2018. Those participating were:

TOWNSHIP OF CONOY

The Honorable John L. Shearer, Supervisor

Ms. Kathy M. Hipple, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Tammy Fleisher, Audit Supervisor

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

TOWNSHIP OF CONOY  
LANCASTER COUNTY  
LIQUID FUELS TAX FUND  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2016 TO DECEMBER 31, 2017

This report was initially distributed to:

**The Honorable Leslie Richards**  
Secretary  
Department of Transportation

**Township of Conoy**  
Lancaster County  
211 Falmouth Road  
Bainbridge, PA 17502

**The Honorable Stephen L. Mohr**  
Chairman of the Board of Supervisors

**Ms. Kathy M. Hipple**  
Secretary/Treasurer

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