



**TOWNSHIP OF FRANKLIN
YORK COUNTY
66-210**

**LIQUID FUELS TAX FUND
EXAMINATION REPORT**

**FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012**

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



Commonwealth of Pennsylvania
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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Barry J. Schoch, P.E.
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 Franklin, York County, for the period January 1, 2010 to December 31, 2012. 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 Franklin, York County's Forms MS-965 for the period January 1, 2010 to December 31, 2012 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 Finding No. 2, the adjustments included on the Forms MS-965 With Adjustments are made by the Department of the Auditor General.

Independent Auditor's Report (Continued)

In our opinion, 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 Franklin, York County, for the period January 1, 2010 to December 31, 2012, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Forms MS-965 and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Franklin, York County's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria such that there is more than a remote likelihood that a misstatement of the Township of Franklin, York County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Township of Franklin, York County's internal control. We consider the deficiencies described in the findings below to be significant deficiencies in internal control over reporting on the Forms MS-965:

- Electronic Imaging Of Canceled Checks From The Bank Did Not Include The Back Of The Checks - Recurring.
- Failure To Properly Prepare Forms MS-965.

Independent Auditor's Report (Continued)

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the Forms MS-965 will not be prevented or detected by the Township of Franklin, York County's internal control. Our consideration of the internal control over reporting on the Forms MS-965 would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the significant deficiencies described above to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



EUGENE A. DEPASQUALE
Auditor General

May 6, 2013

CONTENTS

	<u>Page</u>
Background.....	1
Financial Section:	
2010 Form MS-965 With Adjustments	2
2011 Form MS-965 With Adjustments	5
2012 Form MS-965 With Adjustments	8
Notes To Forms MS-965 With Adjustments.....	11
Findings And Recommendations:	
Finding No. 1 - Electronic Imaging Of Canceled Checks From The Bank Did Not Include The Back Of The Checks - Recurring	17
Finding No. 2 - Failure To Properly Prepare Forms MS-965	19
Comment.....	21
Summary Of Exit Conference.....	22
Report Distribution	23

TOWNSHIP OF FRANKLIN
YORK COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

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 FRANKLIN
 YORK COUNTY
 LIQUID FUELS TAX FUND
 2010 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Finding No. 2)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	7,751.55	-	7,751.55
Traffic control devices	2,432.28	-	2,432.28
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	4,769.54	1,413.62	6,183.16
Maintenance and repair of roads and bridges	93,801.90	-	93,801.90
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Note 5)	10,611.99	3,028.10	13,640.09
 Total (To Section 2, Line 5)	 <u>\$ 119,367.26</u>	 <u>\$ 4,441.72</u>	 <u>\$ 123,808.98</u>

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

TOWNSHIP OF FRANKLIN
YORK COUNTY
LIQUID FUELS TAX FUND
2010 FORM MS-965 – SECTION 2
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 2)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2010	\$ 89,963.72	\$ -	\$ 89,963.72
Receipts:			
2. State allocation	149,743.00	-	149,743.00
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	778.80	-	778.80
2c. Miscellaneous (Note 4)	9,754.44	4,646.72	14,401.16
3. Total receipts	<u>160,276.24</u>	<u>4,646.72</u>	<u>164,922.96</u>
4. Total funds available	<u>250,239.96</u>	<u>4,646.72</u>	<u>254,886.68</u>
5. Expenditures (Section 1)	<u>119,367.26</u>	<u>4,441.72</u>	<u>123,808.98</u>
6. Balance, December 31, 2010	<u>\$ 130,872.70</u>	<u>\$ 205.00</u>	<u>\$ 131,077.70</u>

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

TOWNSHIP OF FRANKLIN
YORK COUNTY
LIQUID FUELS TAX FUND
2010 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	\$ 31,181.17	\$ -	\$ 31,181.17
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	29,948.60	-	29,948.60
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	61,129.77	-	61,129.77
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>61,129.77</u>	<u>-</u>	<u>61,129.77</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 61,129.77</u>	<u>\$ -</u>	<u>\$ 61,129.77</u>

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

TOWNSHIP OF FRANKLIN
 YORK COUNTY
 LIQUID FUELS TAX FUND
 2011 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Finding No. 2)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 50,621.88	\$ -	\$ 50,621.88
Minor equipment purchases	-	1,626.50	1,626.50
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	13,330.41	(1,626.50)	11,703.91
Traffic control devices	539.50	-	539.50
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	4,580.10	-	4,580.10
Maintenance and repair of roads and bridges	97,338.92	68.20	97,407.12
Highway construction and rebuilding projects	-	-	-
Miscellaneous	68.20	(68.20)	-
	<u>68.20</u>	<u>(68.20)</u>	<u>-</u>
Total (To Section 2, Line 5)	<u>\$ 166,479.01</u>	<u>\$ -</u>	<u>\$ 166,479.01</u>

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

TOWNSHIP OF FRANKLIN
YORK COUNTY
LIQUID FUELS TAX FUND
2011 FORM MS-965 – SECTION 2
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 2)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2011	\$ 130,872.70	\$ 205.00	\$ 131,077.70
Receipts:			
2. State allocation	153,265.49	-	153,265.49
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	499.40	-	499.40
2c. Miscellaneous (Note 4)	11,567.92	-	11,567.92
3. Total receipts	<u>165,332.81</u>	<u>-</u>	<u>165,332.81</u>
4. Total funds available	<u>296,205.51</u>	<u>205.00</u>	<u>296,410.51</u>
5. Expenditures (Section 1)	<u>166,479.01</u>	<u>-</u>	<u>166,479.01</u>
6. Balance, December 31, 2011	<u><u>\$ 129,726.50</u></u>	<u><u>\$ 205.00</u></u>	<u><u>\$ 129,931.50</u></u>

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

TOWNSHIP OF FRANKLIN
YORK COUNTY
LIQUID FUELS TAX FUND
2011 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	\$ 61,129.77	\$ -	\$ 61,129.77
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	30,653.10	-	30,653.10
3. PENNDOT approved adjustments	<u>11,110.00</u>	<u>-</u>	<u>11,110.00</u>
4. Total funds available for equipment acquisition	102,892.87	-	102,892.87
5. Less: Major equipment expenditures	<u>50,621.88</u>	<u>-</u>	<u>50,621.88</u>
6. Remainder	<u><u>52,270.99</u></u>	<u><u>-</u></u>	<u><u>52,270.99</u></u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u><u>\$ 52,270.99</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 52,270.99</u></u>

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

TOWNSHIP OF FRANKLIN
YORK COUNTY
LIQUID FUELS TAX FUND
2012 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Finidng No. 2)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 7,400.00	\$ -	\$ 7,400.00
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	165.80	-	165.80
Traffic control devices	7,075.20	-	7,075.20
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	1,925.89	-	1,925.89
Maintenance and repair of roads and bridges	37,411.80	883.58	38,295.38
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Note 5)	883.58	14,116.42	15,000.00
	<u>883.58</u>	<u>14,116.42</u>	<u>15,000.00</u>
Total (To Section 2, Line 5)	<u>\$ 54,862.27</u>	<u>\$ 15,000.00</u>	<u>\$ 69,862.27</u>

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

TOWNSHIP OF FRANKLIN
YORK COUNTY
LIQUID FUELS TAX FUND
2012 FORM MS-965 – SECTION 2
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 2)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2012	\$ 129,726.50	\$ 205.00	\$ 129,931.50
Receipts:			
2. State allocation	158,367.60	-	158,367.60
2a. Turnback allocation	-		-
2b. Interest on investments (Note 3)	627.37	(260.00)	367.37
2c. Miscellaneous (Note 4)	-	260.00	260.00
3. Total receipts	<u>158,994.97</u>	<u>-</u>	<u>158,994.97</u>
4. Total funds available	<u>288,721.47</u>	<u>205.00</u>	<u>288,926.47</u>
5. Expenditures (Section 1)	<u>54,862.27</u>	<u>15,000.00</u>	<u>69,862.27</u>
6. Balance, December 31, 2012	<u><u>\$ 233,859.20</u></u>	<u><u>\$ (14,795.00)</u></u>	<u><u>\$ 219,064.20</u></u>

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

TOWNSHIP OF FRANKLIN
 YORK COUNTY
 LIQUID FUELS TAX FUND
 2012 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	\$ 52,270.99	\$ -	\$ 52,270.99
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	31,673.52	-	31,673.52
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	83,944.51	-	83,944.51
5. Less: Major equipment expenditures	7,400.00	-	7,400.00
6. Remainder	<u>76,544.51</u>	<u>-</u>	<u>76,544.51</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 76,544.51</u>	<u>\$ -</u>	<u>\$ 76,544.51</u>

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

TOWNSHIP OF FRANKLIN
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

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 that cost in excess of \$4,000.00 prior to 2012 and in excess of \$10,000.00 during 2012 and subsequent years.
- Minor equipment purchases are purchases of road machinery and road equipment that cost \$4,000.00 or less prior to 2012 and \$10,000.00 or less during 2012 and subsequent years.
- Agility projects are exchanges of services with the Department of Transportation.

Section 2

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

- The state allocation is generally received from the Department of Transportation during the first week in April of each year. The amount the municipality receives is based half on its population and half on its road mileage.
- The turnback allocation is generally received from the Department of Transportation during the first week in April of each year. A municipality receives a yearly turnback allocation based on road mileage for all roads that were transferred to the municipality from the Commonwealth of Pennsylvania through the Highway Transfer Program.
- 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

TOWNSHIP OF FRANKLIN
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

1. Criteria (Continued)

Section 3 (Continued)

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.

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.

TOWNSHIP OF FRANKLIN
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

1. Criteria (Continued)

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's 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.

There were no deposits exposed to custodial credit risk as of December 31, 2012. 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.

TOWNSHIP OF FRANKLIN
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

2. Deposits (Continued)

Fund Balance

The fund balance as of December 31, 2012 consists of the following:

Cash	<u>\$219,064.20</u>
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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 \$778.80 during 2010, \$499.40 during 2011, and \$367.37 during 2012, 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:

<u>Source</u>	<u>Description</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund	Grant	\$ 205.00	\$ -	\$ -
Vendor	Recycling proceeds	240.77	281.70	260.00
General Fund	Correction of transfer in error (Note 6)	4,408.72	-	-
Vendor	Refund for overpayment (Note 7)	489.28	-	-
Financial institution	Reimbursement for bank service charges	33.00	-	-
Commonwealth of Pennsylvania	Deposit in error (Note 8)	9,024.39	-	-
Local business	Sale of equipment	-	11,110.00	-
Vendor	Refund for materials	-	176.22	-
Totals		<u>\$14,401.16</u>	<u>\$11,567.92</u>	<u>\$260.00</u>

TOWNSHIP OF FRANKLIN
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

5. 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>2010</u>	<u>2012</u>
General Fund	Transfer in error (Note 6)	\$ 4,408.72	\$ -
Financial institution	Bank service charges	206.98	-
Payroll fund	Transfer in error (Note 6)	-	15,000.00
Financial institution	Correction of deposit in error (Note 8)	<u>9,024.39</u>	<u>-</u>
Totals		<u>\$13,640.09</u>	<u>\$15,000.00</u>

6. Transfers In Error

On March 4, 2010, the municipality transferred \$4,408.72 from its Liquid Fuels Tax Fund to its General Fund in error. On April 20, 2010, the municipality transferred this amount from its General Fund to its Liquid Fuels Tax Fund to correct the transfer in error.

On December 10, 2012, the municipality transferred \$15,000.00 from its Liquid Fuels Tax Fund to its Payroll Fund in error. The municipality transferred this amount from its Payroll Fund to its Liquid Fuels Tax Fund to correct the transfer in error on January 23, 2013, which was subsequent to our current examination period.

7. Overpayment Of Invoice

On March 6, 2010, the municipality expended \$978.56 from the Liquid Fuels Tax Fund to pay vendor invoice Nos. 83191 and 83306 for the repair of tires to the loader and payloader. However, the amount of the invoices was only \$208.92 and \$280.36, respectively. On March 26, 2010, the municipality deposited \$489.28 into its Liquid Fuels Tax Fund that was received from the vendor to correct the overpayment of the invoice.

TOWNSHIP OF FRANKLIN
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

8. Deposit In Error

On September 8, 2010, the Commonwealth of Pennsylvania electronically deposited \$9,024.39 into the Liquid Fuels Tax Fund in error. On September 10, 2010, the municipality transferred this amount from its Liquid Fuels Tax Fund to its General Fund to correct the deposit in error.

TOWNSHIP OF FRANKLIN
YORK COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

Finding No. 1 - Electronic Imaging Of Canceled Checks From The Bank Did Not Include The
Back Of The Checks - Recurring

We cited the municipality for failing to obtain images of the backs of canceled checks in our prior report for the period ending December 31, 2009. However, our examination once again disclosed that the imaging of canceled checks from the bank for the Liquid Fuels Tax Fund account was not acceptable because the bank provides only an image of the front side of the canceled checks. For us to properly complete our examination testing, we have to examine the front and the back of the canceled checks.

Good internal controls and the Commonwealth of Pennsylvania Management Directive 210.11, dated June 16, 1997, require that imaging systems comply with the provisions of the Internal Revenue Service (IRS) procedures for record keeping with electronic imaging. To be acceptable, the documents provided by the system must meet IRS procedures governing size, content, format, and pattern. Those procedures require that all images produced by the imaging system exhibit a high degree of legibility and readability when displayed on paper. Legibility includes the ability to identify all letters and numerals positively and quickly. Readability includes the ability to recognize a group of letters or numerals as words or completed numbers. Imaged documents must include the front and back of a document in which both the front and back are used.

Further, good internal controls ensure that by having a municipal official review the front and back of the canceled checks, any errors or misappropriations can be detected on a timely basis.

Without this control, the potential exists for errors or irregularities to go undetected for long periods of time.

The municipality obtained and provided us with copies of the backs of the canceled checks requested for examination.

This condition occurred because the municipality failed to comply with our prior examination recommendation to obtain images of both the front and back of canceled checks from its financial institution.

TOWNSHIP OF FRANKLIN
YORK COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

Finding No. 1 - Electronic Imaging Of Canceled Checks From The Bank Did Not Include The
Back Of The Checks - Recurring (Continued)

Recommendations

We again recommend that the municipal officials obtain images of the front and back of canceled checks in accordance with Directive 210.11. Additionally, municipal officials should review the front and back of each canceled check for any errors or irregularities.

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

This is a recurring finding. We strongly recommend that the municipality comply with our recommendations.

TOWNSHIP OF FRANKLIN
YORK COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

Finding No. 2 - Failure To Properly Prepare Forms MS-965

Our examination disclosed that there were numerous errors made in the preparation of the municipality's 2010, 2011, and 2012 Forms MS-965. These adjustments are as follows:

2010 - Section 1

- An adjustment of \$1,413.62 was made to "Repairs of tools and machinery" because these expenditures were misclassified as miscellaneous.
- An adjustment of \$3,028.10 was made to "Miscellaneous" because expenditures of \$1,413.62 for repairs of tools and machinery were misclassified. Additionally, a bank service charge of \$33.00 and a transfer in error of \$4,408.72 were not reported.

2010 - Section 2

- An adjustment of \$4,646.72 was made to "Miscellaneous" because a grant from the General Fund of \$205.00, a reimbursement for a transfer in error of \$4,408.72, and a reimbursement for bank service charges of \$33.00 were not reported.

2011 - Section 1

- Adjustments were made to "Minor equipment purchases" and "Winter maintenance services" because expenditures of \$1,626.50 were misclassified.
- Adjustments were made to "Maintenance and repair of roads and bridges" and "Miscellaneous" because expenditures of \$68.20 were misclassified.

2011 - Section 2

- An adjustment of \$205.00 was made to "Balance, January 1, 2011" to reflect the adjustment made to the fund balance in 2010 - Section 2.

2012 - Section 1

- An adjustment of \$883.58 was made to "Maintenance and repair of roads and bridges" because miscellaneous expenditures were misclassified.

TOWNSHIP OF FRANKLIN
YORK COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

Finding No. 2 - Failure To Properly Prepare Forms MS-965 (Continued)

2012 - Section 1 (Continued)

- An adjustment of \$14,116.42 was made to “Miscellaneous” because expenditures of \$883.58 for maintenance and repair of roads and bridges were misclassified and a transfer in error of \$15,000.00 was not reported.

2012 - Section 2

- An adjustment of \$205.00 was made to “Balance, January 1, 2012” to reflect the adjustment made to the fund balance in 2011 - Section 2.
- Adjustments were made to “Interest on investments” and “Miscellaneous” because receipts of \$260.00 were misclassified.

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

Recommendation

We recommend that the municipality ensure that its Forms MS-965 are complete and accurate.

Management’s Response

The municipal officials offered no formal response at this time.

TOWNSHIP OF FRANKLIN
YORK COUNTY
LIQUID FUELS TAX FUND
COMMENT
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

Comment - Summary Of Prior Examination Recommendation

In our prior report we recommended that the municipality only expend up to the approved amount on equipment expenditures in accordance with the Department of Transportation's *Publication 9*.

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

TOWNSHIP OF FRANKLIN
YORK COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

An exit conference was held May 6, 2013. Those participating were:

TOWNSHIP OF FRANKLIN

Ms. Kimberly A. Shoffner, Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Tammy Fleisher, Auditor

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

TOWNSHIP OF FRANKLIN
YORK COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

This report was initially distributed to:

The Honorable Barry J. Schoch, P.E.
Secretary
Department of Transportation

Township of Franklin
York County
150 Century Lane
Dillsburg, PA 17019

The Honorable Donald J. Lerew

Chairman of the Board of Supervisors

Ms. Kimberly A. Shoffner

Treasurer

This report is a matter of public record and is available online at <http://www.auditorgen.state.pa.us>. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.