



**TOWNSHIP OF JORDAN
NORTHUMBERLAND COUNTY
49-205**

**LIQUID FUELS TAX FUND
EXAMINATION REPORT**

**FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011**

Released August 2013

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



TOWNSHIP OF JORDAN
NORTHUMBERLAND COUNTY
49-205

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Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
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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 Jordan, Northumberland County, for the period January 1, 2010 to December 31, 2011. 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 Jordan, Northumberland County's Forms MS-965 for the period January 1, 2010 to December 31, 2011 and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

We are mandated by Section 403 of *The Fiscal Code*, 72 P.S. § 403, to audit each municipality's Liquid Fuels Tax Fund to ensure that funds received are expended in accordance with applicable laws and regulations. *Government Auditing Standards* issued by the Comptroller General of the United States include attestation engagements as a separate type of audit. An attestation engagement performed pursuant to *Government Auditing Standards* involves additional standards that exceed the standards provided by the American Institute of Certified Public Accountants. Accordingly, this attestation engagement complies with both *Government Auditing Standards* and Section 403 of *The Fiscal Code*.

As described in Note 4, the adjustments included on the Forms MS-965 With Adjustments are made by the Department of the Auditor General.

Independent Auditor's Report (Continued)

As discussed in Finding No. 1, during 2011 the township expended \$46,447.93 for stone and \$15,692.80 for storm sewer pipe from the Liquid Fuels Tax Fund without advertising for bids. Additionally, as discussed in Finding No. 2, the township expended \$984.00 during 2010 from the Liquid Fuels Tax Fund for excavation services performed by a business owned by the vice-chairman of the board of supervisors. Furthermore, as discussed in the Comment section of this report, during the prior examination period the township expended \$3,270.24 for a related party transaction. This amount was reimbursed to the township's Liquid Fuels Tax Fund on March 16, 2012, which was subsequent to our examination period.

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 Jordan, Northumberland County, for the period January 1, 2010 to December 31, 2011, 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 Jordan, Northumberland 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 Jordan, Northumberland County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Township of Jordan, Northumberland County's internal control.

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 Jordan, Northumberland County's internal control.

Our consideration of internal control over reporting on the Forms MS-965 was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any significant deficiencies or material weaknesses, as defined above, in internal control over reporting on the Forms MS-965.

The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*:

- Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements.
- Related Party Transaction.

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



EUGENE A. DEPASQUALE
Auditor General

January 14, 2013

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TOWNSHIP OF JORDAN
NORTHUMBERLAND COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

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 JORDAN
 NORTHUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 2010 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 6,935.38	\$ -	\$ 6,935.38
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	3,046.34	-	3,046.34
Traffic control devices	2,435.77	-	2,435.77
Street lighting	-	-	-
Storm sewers and drains	2,263.32	-	2,263.32
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	43,035.06	-	43,035.06
Highway construction and rebuilding projects	99,331.99	-	99,331.99
Miscellaneous (Note 6)	13,423.00	-	13,423.00
	<u> </u>	<u> </u>	<u> </u>
Total (To Section 2, Line 5)	<u><u>\$ 170,470.86</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 170,470.86</u></u>

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

TOWNSHIP OF JORDAN
 NORTHUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 2010 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, 2010	\$ 135,317.19	\$ -	\$ 135,317.19
Receipts:			
2. State allocation	74,789.38	-	74,789.38
2a. Turnback allocation	4,320.00	-	4,320.00
2b. Interest on investments (Note 3)	234.09	-	234.09
2c. Miscellaneous (Note 5)	13,423.00	-	13,423.00
3. Total receipts	<u>92,766.47</u>	<u>-</u>	<u>92,766.47</u>
4. Total funds available	<u>228,083.66</u>	<u>-</u>	<u>228,083.66</u>
5. Expenditures (Section 1)	<u>170,470.86</u>	<u>-</u>	<u>170,470.86</u>
6. Balance, December 31, 2010	<u>\$ 57,612.80</u>	<u>\$ -</u>	<u>\$ 57,612.80</u>

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

TOWNSHIP OF JORDAN
 NORTHUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 2010 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	\$ 68,205.12	\$ 16,448.35	\$ 84,653.47
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	15,821.88	-	15,821.88
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	84,027.00	16,448.35	100,475.35
5. Less: Major equipment expenditures	6,935.38	-	6,935.38
6. Remainder	<u>77,091.62</u>	<u>16,448.35</u>	<u>93,539.97</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 57,612.80</u>	<u>\$ -</u>	<u>\$ 57,612.80</u>

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

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

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 45,447.26	\$ -	\$ 45,447.26
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	3,917.31	-	3,917.31
Traffic control devices	893.75	-	893.75
Street lighting	-	-	-
Storm sewers and drains	15,692.80	-	15,692.80
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	58,017.97	-	58,017.97
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 123,969.09</u>	 <u>\$ -</u>	 <u>\$ 123,969.09</u>

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

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

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2011	\$ 57,612.80	\$ -	\$ 57,612.80
Receipts:			
2. State allocation	76,230.95	-	76,230.95
2a. Turnback allocation	4,320.00	-	4,320.00
2b. Interest on investments (Note 3)	173.70	(72.98)	100.72
2c. Miscellaneous (Note 5)	40.00	-	40.00
3. Total receipts	<u>80,764.65</u>	<u>(72.98)</u>	<u>80,691.67</u>
4. Total funds available	<u>138,377.45</u>	<u>(72.98)</u>	<u>138,304.47</u>
5. Expenditures (Section 1)	<u>123,969.09</u>	-	<u>123,969.09</u>
6. Balance, December 31, 2011	<u>\$ 14,408.36</u>	<u>\$ (72.98)</u>	<u>\$ 14,335.38</u>

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

TOWNSHIP OF JORDAN
 NORTHUMBERLAND 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	\$ 57,612.80	\$ -	\$ 57,612.80
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	16,110.19	-	16,110.19
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	73,722.99	-	73,722.99
5. Less: Major equipment expenditures	<u>45,447.26</u>	<u>-</u>	<u>45,447.26</u>
6. Remainder	<u>28,275.73</u>	<u>-</u>	<u>28,275.73</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 14,408.36</u>	<u>\$ (72.98)</u>	<u>\$ 14,335.38</u>

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

TOWNSHIP OF JORDAN
NORTHUMBERLAND COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

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.
- Minor equipment purchases are purchases of road machinery and road equipment that cost \$4,000.00 or less.
- 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 balance that the municipality may carry forward for the purchase of equipment to the subsequent year.

TOWNSHIP OF JORDAN
NORTHUMBERLAND COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

1. Criteria (Continued)

Section 3 (Continued)

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 JORDAN
NORTHUMBERLAND COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

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 financial institutions. Pennsylvania statutes require all deposits to be insured and, for any amount above the insured maximum, to be secured with approved collateral as defined.

There were no deposits exposed to custodial credit risk as of December 31, 2011. 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 JORDAN
 NORTHUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS
 FOR THE PERIOD
 JANUARY 1, 2010 TO DECEMBER 31, 2011

2. Deposits (Continued)

Fund Balance

The fund balance as of December 31, 2011 consists of the following:

Cash	\$14,335.38
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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 \$234.09 during 2010, and \$100.72 during 2011, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2010 - Section 3

An adjustment of \$16,448.35 was made to "Prior year equipment balance" because an incorrect equipment balance was carried forward.

2011 - Section 2

An adjustment of \$(72.98) was made to "Interest on investments" because interest earnings were overstated.

5. Miscellaneous Receipts

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

Source	Description	2010	2011
General Fund	Deposit in error (Note 6)	\$13,423.00	\$ -
General Fund	Reimbursement for road materials	-	40.00
Totals		\$13,423.00	\$40.00

TOWNSHIP OF JORDAN
NORTHUMBERLAND COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

6. Deposit In Error

On November 24, 2010, the township deposited \$13,423.00 into its Liquid Fuels Tax Fund in error. On December 31, 2010, the township transferred this amount from its Liquid Fuels Tax Fund to its General Fund to correct the deposit in error.

TOWNSHIP OF JORDAN
 NORTHUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
 JANUARY 1, 2010 TO DECEMBER 31, 2011

Finding No. 1 - Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements

Our examination disclosed that during 2011 the township expended \$46,447.93 for stone and \$15,692.80 for storm sewer pipe from the Liquid Fuels Tax Fund without advertising for bids. These expenditures were as follows:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>	<u>Totals</u>
<u>Stone</u>					
100541	03/31/11	341	05/02/11	\$ 2,109.73	
100863	04/15/11	341	05/02/11	123.20	
101351	05/15/11	342	06/06/11	875.22	
101595	05/31/11	350	06/06/11	576.06	
101860	06/15/11	371	07/05/11	853.91	
101952	06/30/11	384	07/11/11	130.51	
102410	07/15/11	415	08/01/11	1,839.13	
102656	07/31/11	424	08/08/11	2,351.02	
102961	08/15/11	428	08/15/11	2,126.06	
103267	08/31/11	432	08/31/11	1,884.87	
103266	08/31/11	432	08/31/11	3,558.21	
103265	08/31/11	432	08/31/11	1,477.75	
103548	09/15/11	434/725	10/13/11	3,568.13	
103550	09/15/11	434/725	10/13/11	470.86	
103868	09/30/11	434/725	10/13/11	7,606.74	
104184	10/15/11	726	10/15/11	2,234.46	
104457	10/31/11	727	11/07/11	6,419.63	
104726	11/15/11	729	11/28/11	8,242.44	
					\$46,447.93
<u>Pipe</u>					
7602409 RI	09/30/11	433	10/13/11	15,692.80	
					15,692.80
2011 Total					<u>\$62,140.73</u>

TOWNSHIP OF JORDAN
NORTHUMBERLAND COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

Finding No. 1 - Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements (Continued)

The above expenditures were not made in compliance with the advertising, bidding, and contract requirements of *The Second Class Township Code*, 53 P.S. § 68102(a), (also found at § 3102(a) of *The Second Class Township Code* as published by the Local Government Commission), which requires that purchases over \$10,000.00 must be advertised, bid, and awarded by contract. *The Second Class Township Code*, 53 P.S. § 68104(a), (also found at § 3104(a) of *The Second Class Township Code* as published by the Local Government Commission) further states that advertising, bidding and contract requirements should not be evaded through piecemeal purchases.

In addition, the above expenditures were not made in compliance with the Department of Transportation's *Publication 9*, Appendix D, Section 449.7(d), which states, in part:

Each municipality shall make an annual estimate of its requirements of road construction and maintenance materials, and shall advertise for bids on all items and groups of like items ordinarily supplied by a single supplier . . . which are estimated to exceed \$10,000 for the year If the cost during the year of an unadvertised item or group of like items ordinarily supplied by a single supplier exceeds \$10,000 . . . the entire cost shall be ineligible for payment from the Liquid Fuels Tax Fund unless it can be shown to the satisfaction of the Secretary [of the Department of Transportation] that it was reasonably believed that the cost of the year's requirements of that item or group of like items would not exceed \$10,000 . . .

The failure to comply with *The Second Class Township Code* and the Department of Transportation's *Publication 9* could result in the township having to reimburse \$62,140.73 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the township reimburse \$62,140.73 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the township comply with *The Second Class Township Code* and the Department of Transportation's *Publication 9* as noted in this finding.

TOWNSHIP OF JORDAN
NORTHUMBERLAND COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

Finding No. 1 - Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements (Continued)

Management's Response

The secretary/treasurer stated:

Personnel changes occurred during this time period, specifically for the secretary/treasurer. Also, the failure to bid on the amount of materials for the flood damages and normal repairs was an oversight.

Auditor's Conclusion

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

TOWNSHIP OF JORDAN
NORTHUMBERLAND COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

Finding No. 2 - Related Party Transaction

Our examination disclosed that the township expended \$984.00 during 2010 from the Liquid Fuels Tax Fund for excavation services performed by a business owned by the vice-chairman of the board of supervisors. Due to the vice-chairman's financial interest in the company and the lack of an open and public award process, this contract appears to violate *The Second Class Township Code* and The Public Official and Employee Ethics Act. Therefore, it should not have been entered into by the township.

The Second Class Township Code, 53 P.S. § 68102(i), as amended, states, in part:

No township official, either elected or appointed, or township employee who knows, or who by the exercise of reasonable diligence could know, shall be interested to any appreciable degree, either directly or indirectly, in any contract for the sale or furnishing of any supplies or materials for the use of the township or for any work to be done for such township involving the expenditure by the township of more than five hundred dollars (\$500.00) in any year unless the contract is awarded through the public bid process. This limitation does not apply if the officer or appointee of the township is an employee of the person, firm or corporations to which the money is to be paid in a capacity with no possible influence on the transaction and the officer cannot possibly be benefited thereby, either financially or otherwise. If a supervisor is within this exception, the supervisor shall so inform the board of supervisors and refrain from voting on the payments and shall in no manner participate in the contract. . . .

This information is also published in § 3102(i) of *The Second Class Township Code* as published by the Local Government Commission.

The Public Official and Employee Ethics Act ("Ethics Act"), 65 P.S. 1103(f), states, in part:

No public official or public employee or his spouse or child or any business in which the person or his spouse or child is associated shall enter into any contract valued at \$500 or more with the governmental body with which the public official or public employee is associated or any subcontract valued at \$500 or more with any person who has been awarded a contract with the governmental body with which the public official or public employee is associated, unless the contract has been awarded through an open and public process, including prior public notice and subsequent public disclosure of all proposals considered and contracts awarded. In such a case, the public official or public employee shall not have any supervisory or overall responsibility for the implementation or administration of the contract.

TOWNSHIP OF JORDAN
NORTHUMBERLAND COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

Finding No. 2 - Related Party Transaction (Continued)

Because this contract violates *The Second Class Township Code* and the Ethics Act the township could be required by the Pennsylvania Department of Transportation to reimburse \$984.00 to its Liquid Fuels Tax Fund.

Copies of this finding will be forwarded to the Pennsylvania Department of Transportation and the State Ethics Commission for their review and whatever action they may deem appropriate.

A similar finding was written in our prior examination. However, there were no related party transactions during 2011.

Recommendations

We recommend that the township reimburse \$984.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the township continue to comply with *The Second Class Township Code* and the Ethics Act.

Management's Response

The secretary/treasurer stated:

This transaction was made prior to the exit conference of previous year's (2009) audit.

TOWNSHIP OF JORDAN
NORTHUMBERLAND COUNTY
LIQUID FUELS TAX FUND
COMMENT
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

Comment - Summary Of Prior Examination Recommendations

In our prior report we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$3,270.24 to its Liquid Fuels Tax Fund for a related party transaction. A similar finding was also written in our prior report (see Finding No. 2).

During our current examination we reviewed a letter dated February 2, 2011, from the Department of Transportation informing the municipality to reimburse \$3,270.24 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on March 16, 2012, which was subsequent to our examination period.

TOWNSHIP OF JORDAN
NORTHUMBERLAND COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

An exit conference was held January 14, 2013. Those participating were:

TOWNSHIP OF JORDAN

Ms. Michele Wiest, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Vernon J. Brennan, Auditor

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

TOWNSHIP OF JORDAN
NORTHUMBERLAND COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

This report was initially distributed to:

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

Mr. Rob Caruso
Executive Director
Pennsylvania State Ethics Commission

Township of Jordan
Northumberland County
444 Jordan Township Road
Herndon, PA 17830

The Honorable Genn N. Schreffler

Chairman of the Board of Supervisors

Ms. Michele Wiest

Secretary/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.