

TOWNSHIP OF NORTH CODORUS
YORK COUNTY

66-221

LIQUID FUELS TAX FUND
EXAMINATION REPORT

FOR THE THREE YEARS ENDED
DECEMBER 31, 2010

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TOWNSHIP OF NORTH CODORUS
YORK COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE THREE YEARS ENDED
DECEMBER 31, 2010

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.





**Department of the Auditor General
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120-0018**

**JACK WAGNER
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 North Codorus, York County, for the three years ended December 31, 2010. 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 North Codorus, York County's Forms MS-965 for the three years ended December 31, 2010 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)

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 North Codorus, York County, for the three years ended December 31, 2010, 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 North Codorus, 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 North Codorus, York County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Township of North Codorus, York County's internal control. We consider the deficiency described in the finding below to be a significant deficiency in internal control over reporting on the Forms MS-965:

- Inadequate Internal Control Over The Facsimile Signature Stamp.

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 North Codorus, 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 deficiency described above to be a material weakness.

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

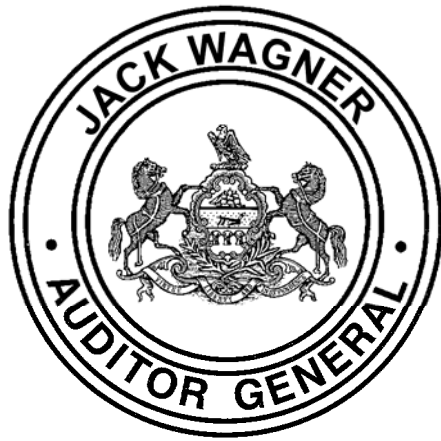
- Failure To Obtain Project Approval.
- Nonpermissible Expenditures.

We are concerned in light of the municipality's failure to correct a previously reported finding regarding inadequate internal control over the facsimile signature stamps. During our current examination, we noted that the municipality did not maintain proper control over its facsimile signature stamp, failed to obtain project approval, and expended Liquid fuels Tax Fund money for nonpermissible expenditures. The municipality should strive to implement the recommendations and corrective actions as noted in this report.

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

August 15, 2011

JACK WAGNER
Auditor General



TOWNSHIP OF NORTH CODORUS
YORK COUNTY
LIQUID FUELS TAX FUND
2008 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

| <u>Expenditure Summary</u> | <u>Reported</u> | <u>Adjustments (Note 4)</u> | <u>Adjusted Amount</u> |
|---|----------------------|---------------------------------|----------------------------|
| Major equipment purchases | \$ - | \$ - | \$ - |
| Minor equipment purchases | - | - | - |
| Computer/Computer related training | - | - | - |
| Agility projects | - | - | - |
| Cleaning streets and gutters | - | - | - |
| Winter maintenance services | 13,986.91 | - | 13,986.91 |
| Traffic control devices | - | 3,888.40 | 3,888.40 |
| Street lighting | - | - | - |
| Storm sewers and drains | - | - | - |
| Repairs of tools and machinery | - | - | - |
| Maintenance and repair of roads and bridges | 99,575.95 | (3,888.40) | 95,687.55 |
| Highway construction and rebuilding projects | 50,610.26 | - | 50,610.26 |
| Miscellaneous | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total (To Section 2, Line 5) | <u>\$ 164,173.12</u> | <u>\$ -</u> | <u>\$ 164,173.12</u> |

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

TOWNSHIP OF NORTH CODORUS
YORK COUNTY
LIQUID FUELS TAX FUND
2008 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, 2008 | \$ 271,994.70 | \$ - | \$ 271,994.70 |
| Receipts: | | | |
| 2. State allocation | 243,956.62 | - | 243,956.62 |
| 2a. Turnback allocation | 16,160.00 | - | 16,160.00 |
| 2b. Interest on investments (Note 3) | 10,218.62 | - | 10,218.62 |
| 2c. Miscellaneous (Note 5) | 9,870.12 | - | 9,870.12 |
| 3. Total receipts | <u>280,205.36</u> | <u>-</u> | <u>280,205.36</u> |
| 4. Total funds available | <u>552,200.06</u> | <u>-</u> | <u>552,200.06</u> |
| 5. Expenditures (Section 1) | <u>164,173.12</u> | <u>-</u> | <u>164,173.12</u> |
| 6. Balance, December 31, 2008 | <u><u>\$ 388,026.94</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 388,026.94</u></u> |

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

TOWNSHIP OF NORTH CODORUS
 YORK COUNTY
 LIQUID FUELS TAX FUND
 2008 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 | \$ 109,138.71 | \$ - | \$ 109,138.71 |
| 2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2) | 52,023.32 | - | 52,023.32 |
| 3. PENNDOT approved adjustments | - | 1,974.02 | 1,974.02 |
| 4. Total funds available for equipment acquisition | 161,162.03 | 1,974.02 | 163,136.05 |
| 5. Less: Major equipment expenditures | - | - | - |
| 6. Remainder | <u>161,162.03</u> | <u>1,974.02</u> | <u>163,136.05</u> |
| 7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero) | <u>\$ 161,162.03</u> | <u>\$ 1,974.02</u> | <u>\$ 163,136.05</u> |

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

TOWNSHIP OF NORTH CODORUS
YORK COUNTY
LIQUID FUELS TAX FUND
2009 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

| <u>Expenditure Summary</u> | <u>Reported</u> | <u>Adjustments (Note 4)</u> | <u>Adjusted Amount</u> |
|---|----------------------|---------------------------------|----------------------------|
| Major equipment purchases | \$ 53,945.00 | \$ 7,628.65 | \$ 61,573.65 |
| Minor equipment purchases | - | 2,995.50 | 2,995.50 |
| Computer/Computer related training | - | - | - |
| Agility projects | - | - | - |
| Cleaning streets and gutters | - | - | - |
| Winter maintenance services | 18,790.09 | - | 18,790.09 |
| Traffic control devices | - | 3,846.06 | 3,846.06 |
| Street lighting | - | - | - |
| Storm sewers and drains | - | - | - |
| Repairs of tools and machinery | - | - | - |
| Maintenance and repair of roads and bridges | 280,039.68 | (130,195.00) | 149,844.68 |
| Highway construction and rebuilding projects | 138,984.86 | 115,724.79 | 254,709.65 |
| Miscellaneous | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total (To Section 2, Line 5) | <u>\$ 491,759.63</u> | <u>\$ -</u> | <u>\$ 491,759.63</u> |

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

TOWNSHIP OF NORTH CODORUS
YORK COUNTY
LIQUID FUELS TAX FUND
2009 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, 2009 | \$ 388,026.94 | \$ - | \$ 388,026.94 |
| Receipts: | | | |
| 2. State allocation | 234,836.00 | - | 234,836.00 |
| 2a. Turnback allocation | 16,160.00 | - | 16,160.00 |
| 2b. Interest on investments (Note 3) | 2,270.31 | - | 2,270.31 |
| 2c. Miscellaneous (Note 5) | <u>112,867.05</u> | <u>-</u> | <u>112,867.05</u> |
| 3. Total receipts | <u>366,133.36</u> | <u>-</u> | <u>366,133.36</u> |
| 4. Total funds available | <u>754,160.30</u> | <u>-</u> | <u>754,160.30</u> |
| 5. Expenditures (Section 1) | <u>491,759.63</u> | <u>-</u> | <u>491,759.63</u> |
| 6. Balance, December 31, 2009 | <u><u>\$ 262,400.67</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 262,400.67</u></u> |

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

TOWNSHIP OF NORTH CODORUS
YORK COUNTY
LIQUID FUELS TAX FUND
2009 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 | \$ 161,162.03 | \$ 1,974.02 | \$ 163,136.05 |
| 2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2) | 50,199.20 | - | 50,199.20 |
| 3. PENNDOT approved adjustments | - | - | - |
| 4. Total funds available for equipment acquisition | 211,361.23 | 1,974.02 | 213,335.25 |
| 5. Less: Major equipment expenditures | 53,945.00 | 7,628.65 | 61,573.65 |
| 6. Remainder | <u>157,416.23</u> | <u>(5,654.63)</u> | <u>151,761.60</u> |
| 7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero) | <u>\$ 157,416.23</u> | <u>\$ (5,654.63)</u> | <u>\$ 151,761.60</u> |

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

TOWNSHIP OF NORTH CODORUS
YORK COUNTY
LIQUID FUELS TAX FUND
2010 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

| <u>Expenditure Summary</u> | <u>Reported</u> | <u>Adjustments (Note 4)</u> | <u>Adjusted Amount</u> |
|---|----------------------|---------------------------------|----------------------------|
| Major equipment purchases | \$ 118,982.50 | \$ - | \$ 118,982.50 |
| Minor equipment purchases | - | 2,319.00 | 2,319.00 |
| Computer/Computer related training | - | - | - |
| Agility projects | - | - | - |
| Cleaning streets and gutters | - | - | - |
| Winter maintenance services | 22,815.90 | - | 22,815.90 |
| Traffic control devices | - | 2,440.94 | 2,440.94 |
| Street lighting | - | - | - |
| Storm sewers and drains | - | - | - |
| Repairs of tools and machinery | - | - | - |
| Maintenance and repair of roads and bridges | 260,833.73 | (4,759.94) | 256,073.79 |
| Highway construction and rebuilding projects | 47,916.76 | - | 47,916.76 |
| Miscellaneous | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total (To Section 2, Line 5) | <u>\$ 450,548.89</u> | <u>\$ -</u> | <u>\$ 450,548.89</u> |

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

TOWNSHIP OF NORTH CODORUS
YORK COUNTY
LIQUID FUELS TAX FUND
2010 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, 2010 | \$ 262,400.67 | \$ - | \$ 262,400.67 |
| Receipts: | | | |
| 2. State allocation | 225,591.98 | - | 225,591.98 |
| 2a. Turnback allocation | 16,160.00 | - | 16,160.00 |
| 2b. Interest on investments (Note 3) | 167.63 | (1.53) | 166.10 |
| 2c. Miscellaneous | 4,271.14 | (4,271.14) | - |
| 3. Total receipts | <u>246,190.75</u> | <u>(4,272.67)</u> | <u>241,918.08</u> |
| 4. Total funds available | <u>508,591.42</u> | <u>(4,272.67)</u> | <u>504,318.75</u> |
| 5. Expenditures (Section 1) | <u>450,548.89</u> | - | <u>450,548.89</u> |
| 6. Balance, December 31, 2010 | <u>\$ 58,042.53</u> | <u>\$ (4,272.67)</u> | <u>\$ 53,769.86</u> |

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

TOWNSHIP OF NORTH CODORUS
YORK 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 | \$ 157,416.23 | \$ (5,654.63) | \$ 151,761.60 |
| 2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2) | 48,350.40 | - | 48,350.40 |
| 3. PENNDOT approved adjustments | <u>-</u> | <u>-</u> | <u>-</u> |
| 4. Total funds available for equipment acquisition | 205,766.63 | (5,654.63) | 200,112.00 |
| 5. Less: Major equipment expenditures | <u>118,982.50</u> | <u>-</u> | <u>118,982.50</u> |
| 6. Remainder | <u>86,784.13</u> | <u>(5,654.63)</u> | <u>81,129.50</u> |
| 7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero) | <u>\$ 58,042.53</u> | <u>\$ (4,272.67)</u> | <u>\$ 53,769.86</u> |

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

TOWNSHIP OF NORTH CODORUS
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE THREE YEARS ENDED
DECEMBER 31, 2010

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 NORTH CODORUS
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE THREE YEARS ENDED
DECEMBER 31, 2010

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 NORTH CODORUS
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE THREE YEARS ENDED
DECEMBER 31, 2010

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 loans 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, 2010. 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 NORTH CODORUS
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE THREE YEARS ENDED
DECEMBER 31, 2010

2. Deposits (Continued)

Fund Balance

The fund balance as of December 31, 2010 consists of the following:

| | |
|------|-------------|
| Cash | \$53,769.86 |
|------|-------------|

3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in an interest-bearing account which earned \$10,218.62 during 2008, \$2,270.31 during 2009, and \$166.10 during 2010, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2008 - Section 1

Adjustments were made to “Traffic control devices” and “Maintenance and repair of roads and bridges” because expenditures of \$3,888.40 were misclassified.

2008 - Section 3

An adjustment of \$1,974.02 was made to “PENNDOT approved adjustments” because 20 percent of the unexpended balance of a turnback grant of \$9,870.12 was not reported as an approved adjustment.

2009 - Section 1

Adjustments were made to “Major equipment purchases,” “Minor equipment purchases,” “Traffic control devices,” “Maintenance and repair of roads and bridges,” and “Highway construction and rebuilding projects” because expenditures of \$130,195.00 were misclassified.

TOWNSHIP OF NORTH CODORUS
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE THREE YEARS ENDED
DECEMBER 31, 2010

4. Adjustments (Continued)

2009 - Section 3

An adjustment of \$1,974.02 was made to “Prior year equipment balance” to reflect the adjustment made to the equipment balance in 2008 - Section 3.

An adjustment of \$7,628.65 was made to “Major equipment expenditures” to reflect the adjustment made to major equipment purchases in 2009 - Section 1.

2010 - Section 1

Adjustments were made to “Minor equipment purchases,” “Traffic control devices,” and “Maintenance and repair of roads and bridges” because expenditures of \$4,759.94 were misclassified.

2010 - Section 2

An adjustment of \$(1.53) was made to “Interest on investments” because interest earnings were overstated.

An adjustment of \$(4,271.14) was made to “Miscellaneous” because a grant from the General Fund which was received during 2011, was reported as a receipt during 2010.

2010 - Section 3

An adjustment of \$(5,654.63) was made to “Prior year equipment balance” to reflect the adjustment made to the equipment balance in 2009 - Section 3.

5. Miscellaneous Receipts

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

| <u>Source</u> | <u>Description</u> | <u>2008</u> | <u>2009</u> |
|---------------|-------------------------------|-------------------|---------------------|
| Turnback Fund | Unexpended balance | \$9,870.12 | \$ - |
| York County | Reimbursement (Finding No. 2) | - | 100,000.00 |
| General Fund | Reimbursement (Finding No. 2) | - | 12,867.05 |
| Total | | <u>\$9,870.12</u> | <u>\$112,867.05</u> |

TOWNSHIP OF NORTH CODORUS
YORK COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE THREE YEARS ENDED
DECEMBER 31, 2010

Finding No. 1 - Inadequate Internal Control Over The Facsimile Signature Stamp

Our examination disclosed a significant weakness in the municipality's internal control that requires at least two authorized signatures on checks drawn on the Liquid Fuels Tax Fund. The authorized signatures are to be one of the three supervisors and either the manager or treasurer. This control was circumvented each time that the manager or treasurer signed the checks as one of the authorized signatures and then applied the facsimile signature for the vice-chairman of the board of supervisors as the other authorized signature.

Good internal controls require that there are at least two authorized signatures on checks drawn on the Liquid Fuels Tax Fund. If a facsimile signature stamp represents any of the authorized signatures, then the municipal official whose signature is represented on each stamp and only that municipal official should apply the stamp and safeguard it to prevent unauthorized use. Facsimile signature stamps should not contain multiple signatures. Without this control, the risk that errors or misappropriations may occur and remain undetected increases significantly.

A similar finding was also written in our prior report.

Recommendation

We again recommend that the municipality establish and implement an adequate system of internal controls over disbursements. This includes ensuring that there are at least two authorized signatures on checks, and that if the facsimile signature stamp of the municipal official is used, each municipal official have their own stamp and the stamp should be maintained and applied by the municipal official whose name is represented on the stamp.

Management's Response

The manager stated:

The required controls over the facsimile signature stamp have been implemented as a result of this audit.

Auditor's Conclusion

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

TOWNSHIP OF NORTH CODORUS
YORK COUNTY
LIQUID FUELS TAX FUND
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Finding No. 2 - Failure To Obtain Project Approval

Our examination disclosed that \$112,867.05 was expended for paving in excess of one inch and installing new pipe on Brown Road. Before paving of one inch in thickness or greater is done and/or when new pipe is installed, the municipality must obtain the approval of the Department of Transportation. However, the municipality did not file an application with the Department of Transportation for the project and also failed to submit specifications for approval.

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 that nonpermissible expenditures include "Construction and reconstruction projects without prior PENNDOT approval."

Additionally, *Publication 9*, Chapter Two, Section 2.8, states, in part:

The following criteria is used to determine when a project is required for work on local roads utilizing Liquid Fuels Tax Funds.

| | |
|-------------------------|---|
| Bituminous Surface: | One inch thickness or greater |
| Guide Rail, Pipe, etc.: | New guide rail, pipe and replacement of existing items with a better or larger type |

The municipality reimbursed \$41,496.23 on October 7, 2009, \$12,867.05 on December 8, 2009, and \$58,503.77 on December 22, 2009 to its Liquid Fuels Tax Fund.

Recommendation

We recommend that before the municipality expends money on a project it applies for and obtains prior approval for the project, and when the project is completed it obtains approval of the completed work.

TOWNSHIP OF NORTH CODORUS
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Finding No. 2 - Failure To Obtain Project Approval (Continued)

Management's Response

The manager stated:

The Township was the recipient of a Community Development Block Grant which was utilized to install sewer system and roadway improvements to Brown Road. Because of the Township's unfamiliarity with the use of Block Grant Funds for roadway improvements, both the receipt and expenditure of the Block Grant Funds were inappropriately budgeted in the Liquid Fuels Fund. Because most of the expenditures were ultimately paid for with Block Grant Funds, the Township was unaware that approval from the Department of Transportation would be required.

Auditor's Conclusion

Because the funds were run through the Liquid Fuels Tax Fund, Department of Transportation Regulations must be followed. During our next examination we will determine if the municipality complied with our recommendation.

TOWNSHIP OF NORTH CODORUS
YORK COUNTY
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Finding No. 3 - Nonpermissible Expenditures

Our examination disclosed that the municipality expended \$3,888.40 in 2008, \$3,846.06 in 2009, and \$2,440.94 in 2010 from the Liquid Fuels Tax Fund for four inch single yellow line painting, which is a nonpermissible expenditure.

The Federal Highway Administration's *Manual on Uniform Traffic Control Devices*, Section 3B.01 states:

A solid yellow line shall not be used as a center line marking on a two-way roadway.

The failure to follow the Federal Highway Administration's *Manual on Uniform Traffic Control Devices* as noted above could result in the municipality having to reimburse \$10,175.40 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$10,175.40 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the municipality comply with the Federal Highway Administration's *Manual on Uniform Traffic Control Devices* regarding permissible road markings.

Management's Response

The manager stated:

The Township was unaware that line painting for a single yellow centerline was an ineligible expenditure for Liquid Fuels. The current standard for pavement markings in PA is the *Manual on Uniform Traffic Control Devices* 2003 version which is silent on the single yellow line. The 2009 version, which has not been adopted by PA specifies the double yellow line. The township intends to use double yellow lines from this point forward for all pavement markings.

TOWNSHIP OF NORTH CODORUS
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Finding No. 3 - Nonpermissible Expenditures (Continued)

Auditor's Conclusion

The municipal officials should review the Federal Highway Administration's *Manual on Uniform Traffic Control Devices* to become familiar with permissible road markings. During our next examination we will determine if the municipality complied with our recommendations.

TOWNSHIP OF NORTH CODORUS
YORK COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE THREE YEARS ENDED
DECEMBER 31, 2010

An exit conference was held August 15, 2011. Those participating were:

TOWNSHIP OF NORTH CODORUS

Mrs. Sharon M. Kerchner, Treasurer
Mr. Mark E. Derr, Manager/Secretary

DEPARTMENT OF THE AUDITOR GENERAL

Mrs. Diane A. Bowman, Auditor

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

TOWNSHIP OF NORTH CODORUS
YORK COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE THREE YEARS ENDED
DECEMBER 31, 2010

This report was initially distributed to:

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

Township of North Codorus
York County
1986 Stoverstown Road
Spring Grove, PA 17362

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|-----------------------------------|--------------------------------------|
| The Honorable Nelson R. Brenneman | Chairman of the Board of Supervisors |
| Mrs. Sharon M. Kerchner | Treasurer |
| Mr. Mark E. Derr | Manager/Secretary |

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