

# ATTESTATION ENGAGEMENT

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## Township of North Franklin

Washington County, Pennsylvania

62-219

Liquid Fuels Tax Fund

For the Period

January 1, 2016 to December 31, 2017

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April 2019



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General

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EUGENE A. DePASQUALE  
AUDITOR GENERAL

### Independent Auditor's Report

The Honorable Leslie Richards  
Secretary  
Department of Transportation  
Harrisburg, PA 17120

We examined the accompanying Forms MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Township of North Franklin, Washington County, for the period January 1, 2016 to December 31, 2017. The municipality's management is responsible for presenting the Forms MS-965 in accordance with the criteria set forth in Note 1. Our responsibility is to express an opinion on the Forms MS-965 With Adjustments based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Forms MS-965 are presented in accordance with the criteria described above, in all material respects. An examination involves performing procedures to obtain evidence about the Forms MS-965. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the Forms MS-965, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

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

## Independent Auditor's Report (Continued)

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

- The municipality did not maintain fuel dispensation records to support expenditures of \$5,250.30 during 2016 and \$6,257.67 during 2017 (see Finding No. 1).
- The municipality expended \$17,000.00 for the purchase of a 2007 Dodge Ram Truck and \$16,331.64 for storm sewer and drain repairs during 2016 from the Liquid Fuels Tax Fund. However, documentation for price quotations for these expenditures were not available for examination (see Finding No. 2).
- The municipality expended \$16,595.85 during 2016 and \$7,041.88 during 2017 for replacement of existing pipes without obtaining the approval of the Department of Transportation. However, the municipality did not file an application with the Department of Transportation for the projects and also failed to submit specifications for approval (see Finding No. 3).

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

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Forms MS-965; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the Forms MS-965. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Forms MS-965 are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over reporting on the Forms MS-965 or on compliance and other matters; accordingly, we express no such opinions.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Forms MS-965 will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## Independent Auditor's Report (Continued)

Our consideration of the internal control was for the limited purpose of expressing an opinion on whether the Forms MS-965 are presented in accordance with the criteria described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the finding listed below, that we consider to be a material weakness in internal control:

- Fuel Dispensation Record Not Maintained.

As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Township of North Franklin, Washington County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of amounts on the Forms MS-965. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*:

- Documentation For Price Quotation Was Not Available For Examination - Recurring.
- Failure To Obtain Project Approvals.

We also noted a matter that, while not required to be included in this report by *Government Auditing Standards*, has been included in the finding below:

- Idle Funds Held In A Noninterest-Bearing Account.

The examination finding for failing to maintain documentation for price quotations cites a condition that existed in the operation of the municipality during the previous engagement period and was not corrected during the current examination period. The municipality should strive to comply with the recommendations noted in this report.

The purpose of this report is to determine whether the municipality's Liquid Fuels Tax Fund money is spent in accordance with the laws and regulations identified in the Background section of this report and the Department of Transportation's *Publication 9*. This report is not suitable for any other purpose.

We appreciate the courtesy extended by the Township of North Franklin, Washington County, to us during the course of our examination. If you have any questions, please feel free to contact Michael B. Kashishian, CPA, CGAP, CFE, Director, Bureau of County Audits, at 717-787-1363.



Eugene A. DePasquale  
Auditor General

March 27, 2019

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TOWNSHIP OF NORTH FRANKLIN  
WASHINGTON COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2016 TO DECEMBER 31, 2017

Background

The Liquid Fuels Tax Municipal Allocation Law, Act 655 of 1956, as amended, (72 P.S. § 2615.5 et seq.), provides municipalities other than counties (townships, boroughs, cities, towns, home rule, and optional plan governments) with an annual allocation of liquid fuels taxes from the state's Motor License Fund to be used for the maintenance and repair of streets, roads, and bridges for which the municipality is responsible. The allocation of these funds to municipalities is based: (1) 50 percent on the municipality's proportion of local road mileage to the total local road mileage in the state, and (2) 50 percent on the proportion of a municipality's population to the total population in the state.

*The Vehicle Code*, Title 75 P.S. § 9511, provides municipalities with annual maintenance payments to be received from the Motor License Fund for functionally local highways that were transferred to a municipality from the Commonwealth of Pennsylvania.

Each municipality must deposit the allocation of Liquid Fuels Tax funds and annual maintenance payments that it receives into a special fund called either the Municipal Liquid Fuels Tax Fund or State Fund. A municipality may not deposit any other monies into this fund except when the municipality does not have enough money in the special fund to meet the payments called for by its current annual budget for road and bridge purposes. In such a case, the municipality may borrow money or transfer money from its General Fund to its Liquid Fuels Tax Fund.

The Department of Transportation has been given the regulatory authority for the administration of these funds. Department of Transportation's *Publication 9* includes the policies and procedures for the administration of Act 655, as amended, and the Liquid Fuels Tax Fund money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.

To qualify for the annual allocation of Liquid Fuels Tax funds, *Publication 9* indicates that each municipality shall:

1. Submit annual reports (MS-965, Actual Use Report, MS-965P, Project and Miscellaneous Receipts, and MS-965S, Record of Checks).
2. Make deposits and payments or expenditures in compliance with Act 655 of 1956, as amended. Failure to do so may result in not receiving allocations from PennDOT until all discrepancies are resolved. *Publication 9*, Section 2.6, includes information about investing Liquid Fuels Tax monies, using loan or bond proceeds, and types of receipts into the Liquid Fuels Tax Fund.

TOWNSHIP OF NORTH FRANKLIN  
WASHINGTON COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2016 TO DECEMBER 31, 2017

Background (Continued)

3. Submit the Pennsylvania Department of Community and Economic Development's (DCED) Report of Elected and Appointed Officials by January 31<sup>st</sup> and the Survey of Financial Condition By March 15<sup>th</sup>.
4. Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.
5. Ensure resolution of all reimbursements required as a result of audits performed by the Department of the Auditor General or monitoring reviews performed by the Department of Transportation's Financial Consultants.

TOWNSHIP OF NORTH FRANKLIN  
WASHINGTON COUNTY  
LIQUID FUELS TAX FUND  
2016 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	\$ 17,290.00	\$ -	\$ 17,290.00
Minor equipment purchases	92.22	-	92.22
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	39,803.86	-	39,803.86
Traffic control devices	19,352.94	-	19,352.94
Street lighting	26,542.54	-	26,542.54
Storm sewers and drains	34,050.54	-	34,050.54
Repairs of tools and machinery	19,192.59	-	19,192.59
Maintenance and repair of roads and bridges	50,141.85	-	50,141.85
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Note 6)	-	29,046.61	29,046.61
	<u>-</u>	<u>29,046.61</u>	<u>29,046.61</u>
 Total (To Section 2, Line 5)	 <u>\$ 206,466.54</u>	 <u>\$ 29,046.61</u>	 <u>\$ 235,513.15</u>

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



TOWNSHIP OF NORTH FRANKLIN  
WASHINGTON COUNTY  
LIQUID FUELS TAX FUND  
2016 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, 2016	\$ 50,502.84	\$ -	\$ 50,502.84
Receipts:			
2. State allocation	146,059.08	-	146,059.08
2a. Turnback allocation	7,400.00	-	7,400.00
2b. Interest on investments (Note 3)	1.21	-	1.21
2c. Miscellaneous (Note 5)	<u>2,600.00</u>	<u>28,446.61</u>	<u>31,046.61</u>
3. Total receipts	<u>156,060.29</u>	<u>28,446.61</u>	<u>184,506.90</u>
4. Total funds available	<u>206,563.13</u>	<u>28,446.61</u>	<u>235,009.74</u>
5. Expenditures (Section 1)	<u>206,466.54</u>	<u>29,046.61</u>	<u>235,513.15</u>
6. Balance, December 31, 2016	<u>\$ 96.59</u>	<u>\$ (600.00)</u>	<u>\$ (503.41)</u>

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

TOWNSHIP OF NORTH FRANKLIN  
WASHINGTON COUNTY  
LIQUID FUELS TAX FUND  
2016 FORM MS-965 – SECTION 3  
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 50,502.84	\$ -	\$ 50,502.84
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	30,691.82	-	30,691.82
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	81,194.66	-	81,194.66
5. Less: Major equipment expenditures	<u>17,290.00</u>	<u>-</u>	<u>17,290.00</u>
6. Remainder	<u>63,904.66</u>	<u>-</u>	<u>63,904.66</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 96.59</u>	<u>(96.59)</u>	<u>\$ -</u>

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

TOWNSHIP OF NORTH FRANKLIN  
WASHINGTON COUNTY  
LIQUID FUELS TAX FUND  
2017 FORM MS-965 – SECTION 1  
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	415.79	-	415.79
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	37,573.68	-	37,573.68
Traffic control devices	1,724.95	-	1,724.95
Street lighting	30,226.97	-	30,226.97
Storm sewers and drains	10,152.28	-	10,152.28
Repairs of tools and machinery	19,266.12	-	19,266.12
Maintenance and repair of roads and bridges	22,286.33	-	22,286.33
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 121,646.12</u>	<u>\$ -</u>	<u>\$ 121,646.12</u>

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

TOWNSHIP OF NORTH FRANKLIN  
WASHINGTON COUNTY  
LIQUID FUELS TAX FUND  
2017 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, 2017	\$ 96.59	\$ (600.00)	\$ (503.41)
Receipts:			
2. State allocation	152,824.33	-	152,824.33
2a. Turnback allocation	7,400.00	-	7,400.00
2b. Interest on investments (Note 3)	-	-	-
2c. Miscellaneous (Note 5)	<u>67,145.35</u>	<u>600.00</u>	<u>67,745.35</u>
3. Total receipts	<u>227,369.68</u>	<u>600.00</u>	<u>227,969.68</u>
4. Total funds available	<u>227,466.27</u>	<u>-</u>	<u>227,466.27</u>
5. Expenditures (Section 1)	<u>121,646.12</u>	<u>-</u>	<u>121,646.12</u>
6. Balance, December 31, 2017	<u><u>\$ 105,820.15</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 105,820.15</u></u>

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

TOWNSHIP OF NORTH FRANKLIN  
WASHINGTON COUNTY  
LIQUID FUELS TAX FUND  
2017 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	\$ 96.59	\$ (96.59)	\$ -
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	32,044.87	-	32,044.87
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	32,141.46	(96.59)	32,044.87
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>32,141.46</u>	<u>(96.59)</u>	<u>32,044.87</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 32,141.46</u>	<u>\$ (96.59)</u>	<u>\$ 32,044.87</u>

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

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

1. Criteria

Section 1

This section of Form MS-965 With Adjustments provides a summary of Liquid Fuels Tax Fund expenditures by category. Categories requiring explanation include:

- Major equipment purchases are purchases of road machinery and road equipment with varying yearly costs in excess of the amounts indicated below:

2013	2014	2015/2016	2017
\$10,200.00	\$10,300.00	\$10,500.00	\$10,700.00

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

2013	2014	2015/2016	2017
\$10,200.00	\$10,300.00	\$10,500.00	\$10,700.00

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

Section 2

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

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

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

1. Criteria (Continued)

Section 2 (Continued)

- Expenditures include the total transferred from Section 1.

Section 3

This section of Form MS-965 With Adjustments determines if the municipality expended Liquid Fuels Tax Fund money in excess of the permissible amount for equipment and the balance that the municipality may carry forward for the purchase of equipment to the subsequent year.

Department of Transportation *Publication 9* requires that the amount expended for equipment purchases in a given year not exceed the sum of the equipment balance carried forward from the previous year and 20 percent of the current year's Liquid Fuels Tax Fund allocation and, if applicable, 20 percent of the turnback allocation plus other Department of Transportation approved adjustments.

If the municipality spent in excess of the amount listed on Line 4, the excess must be reimbursed to the Liquid Fuels Tax Fund.

The equipment balance to be carried forward for the subsequent year is the lesser of the amount on Line 6 or the ending fund balance on Line 6 of Section 2, but not less than zero.

Basis Of Presentation

The financial activities of the municipality are accounted for in separate funds. The Liquid Fuels Tax Fund is used to account for state aid revenues from the Pennsylvania Department of Transportation used primarily for building and improving local roads and bridges. The Forms MS-965 have been prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation as a result of the Fuels Tax Act 655, dated 1956 and as amended, which does not constitute a complete presentation of the entity's assets, liabilities, expenses, and fund balance. Accordingly, the presentation of Forms MS-965 With Adjustments is restricted to the Liquid Fuels Tax Fund, which represents a segment of the entity.

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

1. Criteria (Continued)

Basis Of Accounting

The accompanying Forms MS-965 With Adjustments are prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation. Under this method, revenues are recognized when received and expenditures are recorded when paid.

General Fixed Assets

General fixed assets are recognized as expenditures at the time of purchase. No depreciation has been provided on the heavy equipment used to maintain and repair roads and bridges.

2. Deposits

*The Second Class Township Code*, Title 53 P.S. § 68204, authorizes the township to deposit its funds in the following:

- Deposits in savings accounts or time deposits, other than certificates of deposit or share accounts, of institutions having their principal place of business in the Commonwealth of Pennsylvania and insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance. For any amount above the insured maximum, the depository shall pledge approved collateral.
- Certificates of deposit purchased from institutions insured by the FDIC or other like insurance to the extent that such accounts are so insured. For any amounts in excess of the insured maximum, such deposits shall be collateralized by a pledge or assignment of assets. Certificates of deposit may not exceed 20 percent of a bank's total capital surplus or 20 percent of a savings and loan or savings bank's assets minus liabilities.

Deposits consist of receipts and deposits in 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.



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

2. Deposits (Continued)

There were no deposits exposed to custodial credit risk as of December 31, 2017. Custodial credit risk, as defined by GASB No. 40, as amended, includes deposits that are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the municipality's name.

Fund Balance

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

Cash	<u>\$105,820.15</u>
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3. Interest On Investments

Our examination disclosed that the municipality deposited some of its idle liquid fuels tax money in an interest-bearing account which earned \$1.21 during 2016 (see Finding No. 4).

4. Adjustments

2016 - Section 1

An adjustment of \$29,046.61 was made to "Miscellaneous" because the correction of a deposit in error was not reported.

2016 - Section 2

An adjustment of 28,446.61 was made to "Miscellaneous" because a deposit in error from the General Fund of \$29,446.61 was not reported and these receipts were overstated by \$600.00.

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

4. Adjustments (Continued)

2017 - Section 2

An adjustment of \$(600.00) was made to “Balance, January 1, 2017” to reflect the adjustment made to the fund balance in 2016 - Section 2.

An adjustment of \$600.00 was made to “Miscellaneous” because these receipts were understated.

2017 - Section 3

An adjustment of \$(96.59) was made to “Prior year equipment balance” to reflect the adjustment made to the equipment balance in 2016 - 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>2016</u>	<u>2017</u>
General Fund	Deposit in error (Note 6)	\$29,046.61	\$ -
General Fund	Grant	2,000.00	-
General Fund	Grant	-	600.00
General Fund	Reimbursement (Summary of Prior Examination Recommendations)	-	67,145.35
Total		<u>\$31,046.61</u>	<u>\$67,745.35</u>

6. Deposit In Error

On December 21, 2016, the municipality deposited \$29,046.61 to its Liquid Fuels Tax Fund in error. On December 22, 2016, the municipality transferred this amount from its Liquid Fuels Tax Fund to its General Fund to correct the deposit in error.

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

**Finding No. 1 - Fuel Dispensation Records Not Maintained**

Our examination disclosed that the municipality expended \$5,250.30 during 2016 and \$6,257.67 during 2017 from the Liquid Fuels Tax Fund account to purchase fuel in bulk quantities. However, records for the dispensation of these fuel purchases were not maintained.

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

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

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

The failure to maintain records of fuel dispensation as noted above could result in the municipality having to reimburse \$11,507.97 to its Liquid Fuels Tax Fund.

**Recommendations**

We recommend that the municipality reimburse \$11,507.97 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

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

**Finding No. 1 - Fuel Dispensation Records Not Maintained (Continued)**

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

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

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

**Finding No. 2 - Documentation For Price Quotations Was Not Available For Examination -  
Recurring**

We cited the municipality for failing to maintain documentation of price quotations in our prior report for the period January 1, 2013 to December 15, 2013. Our current examination disclosed that the township expended \$17,000.00 for the purchase of a 2007 Dodge Ram truck and \$16,331.64 for storm sewer and drain repairs during 2016 from the Liquid Fuels Tax Fund. The township was required to obtain three written or telephonic price quotations for these expenditures. However, documentation for price quotations was not available for examination. The expenditures were as follows:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>	<u>Total</u>
None	05-14-16	2007	05-13-16	\$17,000.00	\$17,000.00
None	04-14-16	2006	05-02-16	3,713.31	
None	07-15-16	2040	08-24-16	4,337.59	
None	07-19-16	2041	08-24-16	3,418.37	
None	08-25-16	2051	09-15-16	4,862.37	16,331.64
Total					<u>\$33,331.64</u>

The above expenditures were not made in compliance with the contract requirements of *The Second Class Township Code*, 53 P.S. § 68102(b), (also found at § 3102(b) of *The Second Class Township Code* as published by the Local Government Commission), which states, in part:

Written or telephonic price quotations from at least three qualified and responsible contractors shall be requested for all contracts [during 2012] that exceed ten thousand dollars (\$10,000.00) but are less than the amount [in excess of \$18,500.00] requiring advertisement and competitive bidding or, in lieu of price quotations, a memorandum shall be kept on file showing that fewer than three qualified contractors exist in the market area within which it is practicable to obtain quotations. A written record of telephonic price quotations shall be made and shall contain at least the date of the quotation, the name of the contractor and the contractor's representative, the construction, reconstruction, repair, maintenance or work which was the subject of the quotation and the price. Written price quotations, written records of telephonic price quotations and memoranda shall be retained for a period of three years.

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

**Finding No. 2 - Documentation For Price Quotations Was Not Available For Examination -  
Recurring (Continued)**

The thresholds for obtaining price quotations increased to purchases between \$10,500.00 and \$19,400.00 for 2015 and 2016, \$10,700.00 and \$19,700.00 for 2017, \$10,900.00 and \$20,100.00 for 2018, and \$11,100.00 and \$20,600.00 for 2019.

The failure to comply with *The Second Class Township Code* could result in the township having to reimburse \$33,331.64 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the township reimburse \$33,331.64 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We again recommend that, in the future, the township complies with *The Second Class Township Code* as noted in this finding.

Management's Response

The township officials offered no formal response at this time.

Auditor's Conclusion

This is a recurring finding. We strongly recommend the municipality comply with our recommendations. During our next examination we will determine if the municipality complied with our recommendations.

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

**Finding No. 3 - Failure To Obtain Project Approvals**

Our examination disclosed that the municipality expended \$16,595.85 in 2016 and \$7,041.88 in 2017 for the replacement of existing pipes with a better type without obtaining the approval of the Department of Transportation. Before replacement of existing pipe is done 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 projects and also failed to submit specifications for approvals.

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, when construction, reconstruction and/or resurfacing work exceeds one inch or more in depth as well as other activities.

Guide Rail, Pipe, etc.:	New guide rail, pipe and replacement of existing items with a better or larger type
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The failure to comply with the Department of Transportation's *Publication 9* could result in the municipality having to reimburse \$23,637.73 to its Liquid Fuels Tax Fund.

**Recommendations**

We recommend that the municipality reimburse \$23,637.73 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further 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 FRANKLIN  
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FINDINGS AND RECOMMENDATIONS  
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**Finding No. 3 - Failure To Obtain Project Approvals (Continued)**

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

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



TOWNSHIP OF NORTH FRANKLIN  
WASHINGTON COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
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JANUARY 1, 2016 TO DECEMBER 31, 2017

**Finding No. 4 - Idle Funds Held In A Noninterest-Bearing Account**

Our examination disclosed that liquid fuels tax money in excess of current needs was deposited in a noninterest-bearing checking account from January 1, 2016 to December 31, 2017 with an average balance of \$71,022.31.

The Department of Transportation's *Publication 9*, Chapter Two, Section 2.6.1, states:

All monies in the Liquid Fuels Tax Fund account should be invested to earn interest until expended. . .

*The Second Class Township Code*, Section 3204, as published by the Local Government Commission, lists the types of permissible investments for township funds. If the township had invested the liquid fuels tax funds in interest-bearing accounts, certificates of deposit, or other investments permitted by *The Second Class Township Code*, additional money would have been earned for road maintenance and repairs.

**Recommendation**

We recommend that the township officials comply with the Department of Transportation's *Publication 9* by reassessing their fiscal policy and consider investing money in excess of current needs in investments outlined in *The Second Class Township Code* as published by the Local Government Commission.

**Management's Response**

The township officials offered no formal response at this time.

**Auditor's Conclusion**

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

TOWNSHIP OF NORTH FRANKLIN  
WASHINGTON COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2016 TO DECEMBER 31, 2017

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 \$67,145.35 to its Liquid Fuels Tax Fund. This amount consists of \$49,116.85 for failing to advertise for bids and \$18,028.50 for a failure to maintain documentation for price quotations.

During our current examination, we reviewed a letter dated June 9, 2017 from the Department of Transportation informing the municipality to reimburse \$67,145.35 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on July 12, 2017.

In our prior report we also recommended that the municipality:

- Complies with *The Second Class Township Code* by advertising for bids for all purchases over \$19,400.00. The threshold for advertising for bids increased to purchases over \$19,700.00 for 2017, \$20,100.00 for 2018, and \$20,600.00 for 2019.
- Complies with *The Second Class Township Code* by obtaining price quotations for all purchases between \$10,200.00 and \$18,900.00. The thresholds for obtaining price quotations increased to purchases between \$10,500.00 and \$19,400.00 for 2015 and 2016, \$10,700.00 and 19,700.00 for 2017, \$10,900.00 and \$20,100.00 for 2018, and \$11,100.00 and \$20,600.00 for 2019.
- Complies with the Department of Transportation's *Publication 9* to ensure that the allocations are received during the first week in March.

During our current examination we noted that the municipality complied with our first and third bulleted recommendations but did not comply with our second bulleted recommendation (see Finding No. 2).

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

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

TOWNSHIP OF NORTH FRANKLIN

Ms. Jacqueline Kotchman, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mrs. Michele Simpson, Auditor

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

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

This report was initially distributed to:

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

**Township of North Franklin**  
Washington County  
620 Franklin Farms Road  
Washington, PA 15301

**The Honorable Ron Junko**  
Chairman of the Board of Supervisors

**The Honorable Silvio Passalaqua**  
Vice-Chairman of the Board of Supervisors

**Ms. Jacqueline Kotchman**  
Secretary/Treasurer

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://www.PaAuditor.gov). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: [news@PaAuditor.gov](mailto:news@PaAuditor.gov).