

ATTESTATION ENGAGEMENT

Township of Susquehanna

Juniata County, Pennsylvania

34-210

Liquid Fuels Tax Fund

For the Period

January 1, 2016 to December 31, 2017

June 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 Susquehanna, Juniata County, for the period January 1, 2016 to December 31, 2017. The municipality's management is responsible for presenting the Forms MS-965 in accordance with the criteria set forth in Note 1. Our responsibility is to express an opinion on the Forms MS-965 With Adjustments based on our examination.

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

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

As described in Finding No. 2, the adjustments included on the Forms MS-965 With Adjustments are made by the Department of the Auditor General.

Independent Auditor's Report (Continued)

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

- The municipality did not maintain an invoice to support an expenditure of \$6,473.52 made on October 3, 2017 for stone (See Finding No.1).
- The municipality expended \$18,417.65 during 2016 for a lease-purchase agreement payment for a truck without advertising for bids. Additionally, the municipality did not maintain an invoice for the purchase of the truck (See Finding No. 3).
- The municipality expended \$1,768.75 during 2017 in excess of the approved amount for road project No. 17-34210-002 (See Finding No.4).

In our opinion, except for the bulleted matters discussed above, the Forms MS-965 With Adjustments presents, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund of the Township of Susquehanna, Juniata 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 Form 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 certain deficiencies in internal control, described in the findings listed below, that we consider to be material weaknesses in internal control:

- Documentation Supporting Expenditures Was Not Available For Examination.
- Failure To Properly Prepare Forms MS-965.

As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Township of Susquehanna, Juniata 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*:

- Noncompliance With Advertising And Bidding Requirements And Failure To Maintain Invoice For Purchase Of Dump Truck.
- Liquid Fuels Money Over Expended On Project.

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 Susquehanna, Juniata 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

June 12, 2019

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TOWNSHIP OF SUSQUEHANNA
JUNIATA 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 SUSQUEHANNA
JUNIATA 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 31st and the Survey of Financial Condition By March 15th.
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 SUSQUEHANNA
JUNIATA COUNTY
LIQUID FUELS TAX FUND
2016 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 32,892.27	\$ -	\$ 32,892.27
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	10,465.35	-	10,465.35
Traffic control devices	595.95	-	595.95
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	16,875.89	-	16,875.89
Maintenance and repair of roads and bridges	48,000.55	-	48,000.55
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Bank service charges)	5.00	-	5.00
Total (To Section 2, Line 5)	<u>\$ 108,835.01</u>	<u>\$ -</u>	<u>\$ 108,835.01</u>

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

TOWNSHIP OF SUSQUEHANNA
JUNIATA COUNTY
LIQUID FUELS TAX FUND
2016 FORM MS-965 – SECTION 2
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2016	\$ 36,828.56	\$ -	\$ 36,828.56
Receipts:			
2. State allocation	123,471.79	-	123,471.79
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	253.28	-	253.28
2c. Miscellaneous	-	-	-
3. Total receipts	<u>123,725.07</u>	<u>-</u>	<u>123,725.07</u>
4. Total funds available	<u>160,553.63</u>	<u>-</u>	<u>160,553.63</u>
5. Expenditures (Section 1)	<u>108,835.01</u>	<u>-</u>	<u>108,835.01</u>
6. Balance, December 31, 2016	<u>\$ 51,718.62</u>	<u>\$ -</u>	<u>\$ 51,718.62</u>

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

TOWNSHIP OF SUSQUEHANNA
JUNIATA 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	\$ 36,828.56	\$ -	\$ 36,828.56
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	24,694.36	-	24,694.36
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	61,522.92	-	61,522.92
5. Less: Major equipment expenditures	<u>32,892.27</u>	<u>-</u>	<u>32,892.27</u>
6. Remainder	<u>28,630.65</u>	<u>-</u>	<u>28,630.65</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 28,630.65</u>	<u>\$ -</u>	<u>\$ 28,630.65</u>

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

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

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Finding No. 2)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ 14,475.62	\$ 14,475.62
Minor equipment purchases	-	3,098.00	3,098.00
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	21,195.62	4,606.78	25,802.40
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	17,481.90	1,349.15	18,831.05
Maintenance and repair of roads and bridges	132,376.13	(33,512.22)	98,863.91
Highway construction and rebuilding projects	-	34,187.45	34,187.45
Miscellaneous (Note 5)	-	7,829.71	7,829.71
	<u>-</u>	<u>7,829.71</u>	<u>7,829.71</u>
Total (To Section 2, Line 5)	<u>\$ 171,053.65</u>	<u>\$ 32,034.49</u>	<u>\$ 203,088.14</u>

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

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

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 2)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2017	\$ 51,718.62	\$ -	\$ 51,718.62
Receipts:			
2. State allocation	129,127.12	-	129,127.12
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	272.93	8.37	281.30
2c. Miscellaneous (Note 4)	-	32,026.12	32,026.12
3. Total receipts	<u>129,400.05</u>	<u>32,034.49</u>	<u>161,434.54</u>
4. Total funds available	<u>181,118.67</u>	<u>32,034.49</u>	<u>213,153.16</u>
5. Expenditures (Section 1)	<u>171,053.65</u>	<u>32,034.49</u>	<u>203,088.14</u>
6. Balance, December 31, 2017	<u>\$ 10,065.02</u>	<u>\$ -</u>	<u>\$ 10,065.02</u>

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

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

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 2)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 28,630.65	\$ -	\$ 28,630.65
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	25,825.42	-	25,825.42
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	54,456.07	-	54,456.07
5. Less: Major equipment expenditures	<u>-</u>	<u>14,475.62</u>	<u>14,475.62</u>
6. Remainder	<u>54,456.07</u>	<u>(14,475.62)</u>	<u>39,980.45</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 10,065.02</u>	<u>\$ -</u>	<u>\$ 10,065.02</u>

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

TOWNSHIP OF SUSQUEHANNA
JUNIATA 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:

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

- 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:

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

- 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.
- Expenditures include the total transferred from Section 1.

TOWNSHIP OF SUSQUEHANNA
JUNIATA 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 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.

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 SUSQUEHANNA
JUNIATA 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)

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, 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>\$10,065.02</u>
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TOWNSHIP OF SUSQUEHANNA
JUNIATA COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2017

3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in interest-bearing accounts which earned \$253.28 during 2016, and \$281.30 during 2017, thus providing additional funds for road maintenance and repairs.

4. Miscellaneous Receipts

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

Source	Description	2017
General Fund	Deposit in error (Note 6)	\$ 7,682.71
General Fund	Temporary loans (Note 7)	21,900.00
General Fund	Reimbursement (Summary Of Prior Examination Recommendations)	<u>2,443.41</u>
Total		<u>\$32,026.12</u>

5. Miscellaneous Expenditures

The following miscellaneous expenditures were paid from the Liquid Fuels Tax Fund during the examination period:

Payee	Description	2017
General Fund	Correction of deposit in error (Note 6)	\$7,682.71
Financial institution	Bank service charges	<u>147.00</u>
Total		<u>\$7,829.71</u>

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

6. Deposit In Error

On March 29, 2017, the municipality deposited \$7,682.71 into its Liquid Fuels Tax Fund in error. On May 3, 2017, the municipality transferred this amount from its Liquid Fuels Tax Fund to its General Fund to correct the deposit in error.

7. Temporary Loans

On December 26, 2017 and December 28, 2017, the municipality loaned \$20,000.00 and \$1,900.00, respectively, from its General Fund to its Liquid Fuels Tax Fund. As of the exit conference date of this examination of May 21, 2019, \$21,900.00 remained due to the General Fund.

8. Lease-Purchase Agreement

On January 6, 2012, the municipality purchased a 2011 John Deere 6330 tractor with a Tiger Model RT-50D Panther boom mower for \$98,463.00. The municipality made a down payment of \$20,000.00 from the Liquid Fuels Tax Fund. The municipality entered into a lease-purchase agreement for the remaining 78,463.00 with F.N.B. Commercial Leasing for a term of six years at an interest rate of 4.25 percent. Principal and interest payments of \$14,474.62 are due annually. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$50,178.14 and \$7,720.34, respectively.

During the current examination period the municipality paid principal of \$28,284.86 and interest of \$665.38 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2016 and 2017 Forms MS-965 - Section 1. The balance of the lease-purchase agreement was paid-in-full on January 15, 2017.

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

9. Lease Purchase Agreement

On November 9, 2016, the municipality entered into a lease-purchase agreement with Municipal Capital Finance to purchase a 2015 International dump truck for \$129,900.00. The agreement was for a term of seven years with principal and interest payments of \$18,417.65 are due annually.

During the current examination period the municipality paid principal of \$18,417.65 from the Liquid Fuels Tax Fund. This amount is reflected in major equipment purchases on the 2016 Form MS-965 – Section 1. Additionally, the municipality paid principal of \$14,233.70 and interest of \$4,183.95 from the General Fund. The outstanding balance of the lease-purchase agreement as of December 31, 2017 was \$97,338.65, plus interest.

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

Finding No. 1 - Documentation Supporting Expenditures Was Not Available For Examination

Our examination disclosed that the municipality did not maintain an invoice to support an expenditure of \$6,473.52 made on October 3, 2017 for stone.

Good internal control procedures ensure that there is documentation to support all expenditures.

The Liquid Fuels Tax Municipal Allocation Law, 72 P.S. § 2615.4, provides, in part, that monies herein allocated may be used only for construction, reconstruction, maintenance and repairs of such public roads or streets, including bridges, culverts and drainage structures, for which they are legally responsible. Also permitted are expenditures involving acquisition, maintenance, repairs and operation of street signs, traffic signs, traffic signal control systems, road equipment, and snow fences.

The Department of Transportation has been statutorily authorized to promulgate regulations concerning the administration of Liquid Fuels Tax Fund money and has determined that certain items, including expenditures made without supporting documentation, are outside the scope of permissible expenditures.

Without adequate documentation, we could not determine if the expenditures was permissible according to the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations.

The failure to maintain documentation to support expenditures could result in the municipality having to reimburse \$6,473.52 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$6,473.52 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the municipality ensure good internal control over expenditures by maintaining adequate documentation to support all expenditures.

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

Finding No. 1 - Documentation Supporting Expenditures Was Not Available For Examination (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 SUSQUEHANNA
JUNIATA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2017

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

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

Section 1

- An adjustment of \$14,475.62 was made to "Major equipment purchases" because check Nos. 1348 for \$14,474.62 and 1353 for \$1.00 were not reported.
- An adjustment of \$3,098.00 was made to "Minor equipment purchases" because check No. 1386 was not reported.
- An adjustment of \$4,606.78 was made to "Winter maintenance services" because check No. 1362 for \$1,749.97 was not reported, four transfers totaling \$2,224.25 were not reported, and a transfer was reported as \$119.19 but was actually for \$751.75.
- An adjustment of \$1,349.15 was made to "Repairs of tools and machinery" because 34 checks were not reported.
- An adjustment of \$(33,512.22) was made to "Maintenance and repair of roads and bridges" because expenditures of \$34,187.45 for highway construction and rebuilding projects were misclassified and 13 checks totaling \$675.23 were not reported.
- An adjustment of \$34,187.45 was made to "Highway construction and rebuilding projects" because these expenditures were misclassified as maintenance and repair of roads and bridges.
- An adjustment of \$7,829.71 was made to "Miscellaneous" because these expenditures were not reported (see Note 5).

Section 2

- An adjustment of \$8.37 was made to "Interest on investments" because interest earnings were understated.
- An adjustment of \$32,026.12 was made to "Miscellaneous" because these receipts were not reported (see Note 4).

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

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

Section 3

- An adjustment of \$14,475.62 was made to “Major equipment expenditures” to reflect the adjustment made to major equipment purchases in 2017 - Section 1.

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

Recommendation

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

Management’s Response

The municipal officials offered no formal response at this time.

Auditor’s Conclusion

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

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

**Finding No. 3 - Noncompliance With Advertising And Bidding Requirements And
Failure To Maintain Invoice For Purchase Of Dump Truck**

Our examination disclosed that on November 9, 2016, the township entered into a lease-purchase agreement with Municipal Capital Finance to purchase a 2015 International dump truck for \$129,900.00 (see Note 9). On November 13, 2016, the township expended \$18,417.65 from the Liquid Fuels Tax Fund for the first lease-purchase payment for the dump truck. However, the township failed to advertise for bids for the dump truck.

We further noted that the township did not provide an invoice for the dump truck purchase. Therefore, we could not verify the purchase price.

The above expenditure was 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 \$18,500.00 during 2012 must be advertised, bid, and awarded by contract. The bidding threshold increased to purchases over \$19,400.00 for 2016, \$19,700.00 for 2017, \$20,100.00 for 2018, and \$20,600.00 for 2019. *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.

Additionally, good internal control procedures ensure that there is documentation, such as invoices, to support all expenditures.

The failure to comply with *The Second Class Township Code* and the failure to maintain an invoice for the purchase of the truck could result in the township having to reimburse \$18,417.65 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the township reimburse \$18,417.65 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

We also recommend that, in the future, the municipality maintain invoices to support purchases.

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

**Finding No. 3 - Noncompliance With Advertising And Bidding Requirements And
Failure To Maintain Invoice For Purchase Of Dump Truck**

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 recommendations.

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

Finding No. 4 - Liquid Fuels Money Over Expended On Project

Our examination disclosed that the municipality expended \$34,187.45 of Liquid Fuels Tax Fund money on construction project No. 17-34210-002. However, the amount of Liquid Fuels Tax Fund money approved by the Department of Transportation to be expended from the Liquid Fuels Tax Fund for this project was \$32,418.70. The difference of \$1,768.75 should have been paid directly from the General Fund.

The Department of Transportation's Regulations do not permit a municipality to expend Liquid Fuels Tax Fund money in excess of the amount approved on Municipal Services Completion Report Form MS-999.

The failure to comply with the Department of Transportation's Regulations could result in the municipality having to reimburse \$1,768.75 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$1,768.75 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the municipality expend only the approved amount of Liquid Fuels Tax Fund money on road construction projects.

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

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

TOWNSHIP OF SUSQUEHANNA
JUNIATA 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 \$2,443.41 to its Liquid Fuels Tax Fund for not awarding contracts to the lowest responsible bidders.

During our current examination we reviewed a letter dated March 21, 2017, from the Department of Transportation informing the municipality to reimburse \$2,443.41 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on August 8, 2017.

In our prior report we also recommended that the municipality comply with *The Second Class Township Code* by awarding contracts to the lowest responsible bidders.

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

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

An exit conference was held May 21, 2019. Those participating were:

TOWNSHIP OF SUSQUEHANNA

The Honorable Keith Fawver, Chairman of the Board of Supervisors

DEPARTMENT OF THE AUDITOR GENERAL

Mr. David R. Brown, Auditor

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

TOWNSHIP OF SUSQUEHANNA
JUNIATA 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 Susquehanna
Juniata County
580 Gamby Hill Road
Liverpool, PA 17045

The Honorable Keith Fawver
Chairman of the Board of Supervisors

Ms. Amanda Nipple
Secretary/Treasurer

This report is a matter of public record and is available online at 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.