

# ATTESTATION ENGAGEMENT

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**Township of Todd**  
**Fulton County, Pennsylvania**  
**29-209**  
**Liquid Fuels Tax Fund**  
**For the Period**  
**January 1, 2017 to December 31, 2019**

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**June 2021**



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR  
AUDITOR GENERAL

### Independent Auditor's Report

Yassmin Gramian, P.E.  
Acting 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 Todd, Fulton County, for the period January 1, 2017 to December 31, 2019. The municipality's management is responsible for presenting the Forms MS-965 in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*. 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*.

### Independent Auditor's Report (Continued)

As described in the Auditor Description Of Select Transactions section of this report, the adjustments included on the Forms MS-965 With Adjustments are made by the Department of the Auditor General.

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 Todd, Fulton County, for the period January 1, 2017 to December 31, 2019, in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*.

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.

Our consideration of 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. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 a 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. We consider the deficiency below to be a material weakness:

- Electronic Imaging Of Canceled Checks From The Bank Did Not Include The Back Of The Checks.

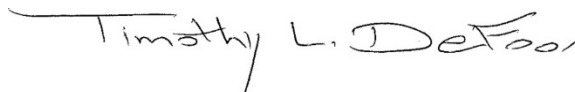
### Independent Auditor's Report (Continued)

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

- Nonpermissible Expenditure.
- Late Receipt Of Liquid Fuels And Turnback Allocations.

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 Todd, Fulton County, to us during the course of our examination. If you have any questions, please feel free to contact the Bureau of County Audits at 717-787-1363.



Timothy L. DeFoor  
Auditor General

May 19, 2021

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TOWNSHIP OF TODD  
FULTON COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2017 TO DECEMBER 31, 2019

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 TODD  
FULTON COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2017 TO DECEMBER 31, 2019

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.

*Criteria*

The criteria for the Form MS-965 With Adjustment are described below.

Section 1 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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>\$10,700.00</u>	<u>\$10,900.00</u>	<u>\$11,100.00</u>	<u>\$11,300.00</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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>\$10,700.00</u>	<u>\$10,900.00</u>	<u>\$11,100.00</u>	<u>\$11,300.00</u>

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

TOWNSHIP OF TODD  
FULTON COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2017 TO DECEMBER 31, 2019

Background (Continued)

Section 2 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.

Section 3 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.



TOWNSHIP OF TODD  
FULTON COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2017 TO DECEMBER 31, 2019

Background (Continued)

*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 Form MS-965 has 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 Form MS-965 With Adjustments is restricted to the Liquid Fuels Tax Fund, which represents a segment of the entity.

*Basis Of Accounting*

The accompanying Form MS-965 With Adjustments is 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.

TOWNSHIP OF TODD  
FULTON 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>
Minor equipment purchases	\$ 190.02	\$ -	\$ 190.02
Computer/Computer related training	-	-	-
Major equipment purchases	1,706.22	-	1,706.22
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	8,113.70	-	8,113.70
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	7,086.99	-	7,086.99
Maintenance and repair of roads and bridges	4,581.45	-	4,581.45
Highway construction and rebuilding projects	32,324.08	-	32,324.08
Miscellaneous	-	-	-
Total (To Section 2, Line 5)	<u>\$ 54,002.46</u>	<u>\$ -</u>	<u>\$ 54,002.46</u>

TOWNSHIP OF TODD  
FULTON COUNTY  
LIQUID FUELS TAX FUND  
2017 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, 2017	\$ 60,326.12	\$ -	\$ 60,326.12
Receipts:			
2. State allocation	-	-	-
2a. Turnback allocation	-	-	-
2b. Interest on investments	79.70	-	79.70
2c. Miscellaneous	10,562.02	-	10,562.02
3. Total receipts	10,641.72	-	10,641.72
4. Total funds available	70,967.84	-	70,967.84
5. Expenditures (Section 1)	54,002.46	-	54,002.46
6. Balance, December 31, 2017	<u>\$ 16,965.38</u>	<u>\$ -</u>	<u>\$ 16,965.38</u>

TOWNSHIP OF TODD  
FULTON COUNTY  
LIQUID FUELS TAX FUND  
2017 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	\$ 54,685.40	\$ -	\$ 54,685.40
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	-	-	-
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	54,685.40	-	54,685.40
5. Less: Major equipment expenditures	<u>1,706.22</u>	<u>-</u>	<u>1,706.22</u>
6. Remainder	<u>52,979.18</u>	<u>-</u>	<u>52,979.18</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 16,965.38</u>	<u>\$ -</u>	<u>\$ 16,965.38</u>

TOWNSHIP OF TODD  
FULTON COUNTY  
LIQUID FUELS TAX FUND  
2018 FORM MS-965 – SECTION 1  
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ -	\$ 9,315.00	\$ 9,315.00
Computer/Computer related training	974.09	-	974.09
Major equipment purchases	35,876.88	(9,315.00)	26,561.88
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	8,581.17	-	8,581.17
Traffic control devices	261.68	-	261.68
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	10,567.46	-	10,567.46
Maintenance and repair of roads and bridges	11,368.96	-	11,368.96
Highway construction and rebuilding projects	418,954.40	-	418,954.40
Miscellaneous	-	-	-
Total (To Section 2, Line 5)	<u>\$ 486,584.64</u>	<u>\$ -</u>	<u>\$ 486,584.64</u>

TOWNSHIP OF TODD  
FULTON COUNTY  
LIQUID FUELS TAX FUND  
2018 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, 2018	\$ 16,965.38	\$ -	\$ 16,965.38
Receipts:			
2. State allocation	74,584.22	70,739.59	145,323.81
2a. Turnback allocation	15,240.00	15,240.00	30,480.00
2b. Interest on investments	282.34	-	282.34
2c. Miscellaneous	<u>844,200.53</u>	<u>(85,979.59)</u>	<u>758,220.94</u>
3. Total receipts	<u>934,307.09</u>	<u>-</u>	<u>934,307.09</u>
4. Total funds available	<u>951,272.47</u>	<u>-</u>	<u>951,272.47</u>
5. Expenditures (Section 1)	<u>486,584.64</u>	<u>-</u>	<u>486,584.64</u>
6. Balance, December 31, 2018	<u>\$ 464,687.83</u>	<u>\$ -</u>	<u>\$ 464,687.83</u>

TOWNSHIP OF TODD  
FULTON COUNTY  
LIQUID FUELS TAX FUND  
2018 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	\$ 16,965.38	\$ -	\$ 16,965.38
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	17,964.84	17,195.92	35,160.76
3. PENNDOT approved adjustments	<u>17,961.23</u>	<u>-</u>	<u>17,961.23</u>
4. Total funds available for equipment acquisition	52,891.45	17,195.92	70,087.37
5. Less: Major equipment expenditures	<u>35,876.88</u>	<u>(9,315.00)</u>	<u>26,561.88</u>
6. Remainder	<u>17,014.57</u>	<u>26,510.92</u>	<u>43,525.49</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 17,014.57</u>	<u>\$ 26,510.92</u>	<u>\$ 43,525.49</u>

TOWNSHIP OF TODD  
FULTON COUNTY  
LIQUID FUELS TAX FUND  
2019 FORM MS-965 – SECTION 1  
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	10,237.32	-	10,237.32
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	9,352.30	-	9,352.30
Traffic control devices	370.56	-	370.56
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	263.20	-	263.20
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	846,098.96	-	846,098.96
Miscellaneous	<u>30,000.00</u>	<u>(30,000.00)</u>	<u>-</u>
Total (To Section 2, Line 5)	<u>\$ 896,322.34</u>	<u>\$ (30,000.00)</u>	<u>\$ 866,322.34</u>



TOWNSHIP OF TODD  
FULTON COUNTY  
LIQUID FUELS TAX FUND  
2019 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, 2019	\$ 464,687.83	\$ -	\$ 464,687.83
Receipts:			
2. State allocation	75,756.63	-	75,756.63
2a. Turnback allocation	15,240.00	-	15,240.00
2b. Interest on investments	359.13	-	359.13
2c. Miscellaneous	<u>392,034.99</u>	<u>(30,000.00)</u>	<u>362,034.99</u>
3. Total receipts	<u>483,390.75</u>	<u>(30,000.00)</u>	<u>453,390.75</u>
4. Total funds available	<u>948,078.58</u>	<u>(30,000.00)</u>	<u>918,078.58</u>
5. Expenditures (Section 1)	<u>896,322.34</u>	<u>(30,000.00)</u>	<u>866,322.34</u>
6. Balance, December 31, 2019	<u>\$ 51,756.24</u>	<u>\$ -</u>	<u>\$ 51,756.24</u>

TOWNSHIP OF TODD  
FULTON COUNTY  
LIQUID FUELS TAX FUND  
2019 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	\$ 17,014.59	\$ 26,510.90	\$ 43,525.49
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	18,199.33	-	18,199.33
3. PENNDOT approved adjustments	<u>2,000.00</u>	<u>-</u>	<u>2,000.00</u>
4. Total funds available for equipment acquisition	37,213.92	26,510.90	63,724.82
5. Less: Major equipment expenditures	<u>10,237.32</u>	<u>-</u>	<u>10,237.32</u>
6. Remainder	<u>26,976.60</u>	<u>26,510.90</u>	<u>53,487.50</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 26,976.60</u>	<u>\$ 24,779.64</u>	<u>\$ 51,756.24</u>

TOWNSHIP OF TODD  
FULTON COUNTY  
LIQUID FUELS TAX FUND  
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS  
FOR THE PERIOD  
JANUARY 1, 2017 TO DECEMBER 31, 2019

The following information relates to certain types of transactions for which the Pennsylvania Department of Transportation requested that we provide additional detail.

Adjustments

2018 - Section 1

Adjustments were made to “Minor equipment purchases” and “Major equipment purchases” because expenditures of \$9,315.00 were misclassified.

2018 - Section 2

Adjustments were made to “State allocation,” “Turnback allocation,” and “Miscellaneous” because receipts of \$85,979.59 were misclassified.

2018 - Section 3

An adjustment of \$17,195.92 was made to “Current year equipment allocation” because the 2017 liquid fuels allocation of \$70,739.59, and the 2017 turnback allocation of \$15,240.00, which were received during 2018, were misclassified as “Miscellaneous” and were not included in the calculation of the current year equipment allocation.

An adjustment of \$(9,315.00) was made to “Major equipment expenditures” to reflect the adjustment made to major equipment purchases in 2018 - Section 1.

2019 - Section 1

An adjustment of \$(30,000.00) was made to “Miscellaneous” because a transfer between two Liquid Fuels Tax Fund accounts was incorrectly reported as an expenditure.

2019 - Section 2

An adjustment of \$(30,000.00) was made to “Miscellaneous” because a transfer between two Liquid Fuels Tax Fund accounts was incorrectly reported as a receipt.

2019 - Section 3

An adjustment of \$26,510.90 was made to “Prior year equipment balance” to reflect the adjustment made to the equipment balance in 2018 - Section 3.

TOWNSHIP OF TODD  
FULTON COUNTY  
LIQUID FUELS TAX FUND  
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS  
FOR THE PERIOD  
JANUARY 1, 2017 TO DECEMBER 31, 2019

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>2017</u>	<u>2018</u>	<u>2019</u>
County of Fulton	County aid	\$ 4,442.02	\$ 2,221.01	\$ 2,221.01
Licking Creek Township	Road maintenance agreement	6,120.00	6,120.00	6,120.00
General Fund	Reimbursement (Summary of prior examination recommendations)	-	2,244.46	-
Commonwealth of Pennsylvania	Reimbursement agreement	-	729,674.24	351,693.98
Vendors	Sale of equipment	-	17,961.23	2,000.00
Totals		<u>\$10,562.02</u>	<u>\$758,220.94</u>	<u>\$362,034.99</u>

Reimbursable Agreement

During our examination, we noted that the township entered into a reimbursable agreement with the Department of Transportation for the construction of Fulton County Medical Center Access Road. During our current examination period, the county received \$1,081,368.22 as a result of this agreement and deposited this money into its Liquid Fuels Tax Fund. However, an overpayment of \$106,495.43 was reimbursed to the Commonwealth of Pennsylvania on January 6, 2019 and reported within the highway construction and rebuilding projects expenditures.

TOWNSHIP OF TODD  
FULTON COUNTY  
LIQUID FUELS TAX FUND  
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS  
FOR THE PERIOD  
JANUARY 1, 2017 TO DECEMBER 31, 2019

Lease-Purchase Agreement

On September 30, 2017, the municipality entered into a lease-purchase agreement to purchase a 2016 GMC Sierra for \$62,117.00. The municipality received a trade-in allowance of \$20,000.00 for a 1994 Ford F350 truck and a 2005 Ford Super Duty truck. The municipality borrowed the remaining \$42,117.00 from Ally Financial. The agreement was for a term of five years at an interest rate of 7.82 percent. Principal and interest payments of \$853.11 are due monthly.

During the current examination period, the municipality paid principal of \$15,557.15 and interest of \$6,623.71 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2017, 2018, and 2019 Forms MS-965 - Section 1. The outstanding balance of the lease-purchase agreement as of December 31, 2019, was \$26,559.85, plus interest.

TOWNSHIP OF TODD  
FULTON COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2017 TO DECEMBER 31, 2019

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

Our examination disclosed that the imaging of canceled checks from the bank for the Liquid Fuels Tax Fund account was not acceptable because the bank provides only an image of the front side of the canceled checks. For us to properly complete our examination testing, we have to examine the front and the back of the canceled checks. Although the municipality obtained and provided us with copies of the backs of those canceled checks that we needed to review for our examination, the municipality should be receiving images of the backs of all canceled checks in order to have good internal controls.

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

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

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

The municipality could not provide a cause for this condition.

**Recommendations**

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

TOWNSHIP OF TODD  
FULTON COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2017 TO DECEMBER 31, 2019

**Finding No. 1 - Electronic Imaging Of Canceled Checks From The Bank Did Not Include  
The Back Of The Checks (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 TODD  
FULTON COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2017 TO DECEMBER 31, 2019

**Finding No. 2 - Nonpermissible Expenditure**

Our examination disclosed that the municipality expended \$925.32 during 2018 from the Liquid Fuels Tax Fund for single yellow line painting, which is a nonpermissible expenditure.

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 single yellow line painting, are outside the scope of permissible expenditures.

The failure to follow the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations as noted above could result in the municipality having to reimburse \$925.32 to its Liquid Fuels Tax Fund.

The municipality did not provide a cause for this condition.

We did not note any nonpermissible expenditures made from the Liquid Fuels Tax Fund during 2019.

**Recommendations**

We recommend that the municipality reimburse \$925.32 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the municipality continues to comply with the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations regarding permissible expenditures.



TOWNSHIP OF TODD  
FULTON COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2017 TO DECEMBER 31, 2019

**Finding No. 2 - Nonpermissible Expenditure (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 TODD  
FULTON COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2017 TO DECEMBER 31, 2019

**Finding No. 3 - Late Receipt Of Liquid Fuels And Turnback Allocations**

Our examination disclosed that the 2017 and 2018 Liquid Fuels Tax Fund allocations of \$70,739.59 and \$74,584.22, respectively, and the 2017 Turnback allocation of \$15,240.00, which should have been distributed from the Department of Transportation to the municipality during the first week of March of each year, were not received until January 3, 2018, May 4, 2018, and January 3, 2018, respectively, because the municipality failed to comply with the Department of Transportation's *Publication 9*, Chapter Two, Section 2.4, which states:

To qualify for the annual liquid fuels tax allocation, a municipality shall:

- Submit annual reports (MS-965, Actual Use Report, MS-965P, Project and Miscellaneous Receipts, and MS-965S, Record of Checks).
- Make deposits and payments or expenditures in compliance with the Act 655. Failure to do so may result in not receiving allocations from PENNDOT until all discrepancies are resolved.
- 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>.
- Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.
- 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.

Because the municipality failed to file documents and information timely as noted above, the municipality did not have use of the 2017 Liquid Fuels Tax Fund and Turnback allocations for more than ten months and the 2018 Liquid Fuels Tax Fund allocation more than two months. Furthermore, had the allocations been received timely, money may have been available for investment purposes, potentially earning interest income which could have been used for road maintenance and repairs.

The delay in filing the required information was caused by the illness of the former township secretary.

TOWNSHIP OF TODD  
FULTON COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2017 TO DECEMBER 31, 2019

**Finding No. 3 - Late Receipt Of Liquid Fuels And Turnback Allocations (Continued)**

The municipality received its 2019 Liquid Fuels Tax Fund allocation on time.

**Recommendation**

We recommend that, in the future, the municipality continues to comply with the Department of Transportation's *Publication 9* to ensure that the allocations are received during the first week in March as outlined above.

**Management's Response**

The secretary/treasurer stated:

Payment of 2017 State Allocation and Turnback Funds were delayed due to an illness of the prior secretary resulting in unpaid payroll taxes.

**Auditor's Conclusion**

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

TOWNSHIP OF TODD  
FULTON COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2017 TO DECEMBER 31, 2019

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 \$2,244.46 to its Liquid Fuels Tax Fund for over expending Liquid Fuels money on project No. 16-29209-01.

During our current examination, we reviewed a letter dated August 22, 2017, from the Department of Transportation directing the municipality to reimburse \$2,244.46 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on April 11, 2018.

In our prior report, we also recommended that in the future, the municipality expend only the approved amount of Liquid Fuels Tax Fund money on road construction projects.

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

TOWNSHIP OF TODD  
FULTON COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF EXIT CONFERENCE  
FOR THE PERIOD  
JANUARY 1, 2017 TO DECEMBER 31, 2019

An exit conference was held April 7, 2021. Those participating were:

TOWNSHIP OF TODD

Ms. Connie Hann, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Tammy Fleisher, Audit Supervisor

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

TOWNSHIP OF TODD  
FULTON COUNTY  
LIQUID FUELS TAX FUND  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2017 TO DECEMBER 31, 2019

This report was initially distributed to:

**Yassmin Gramian, P.E.**  
Acting Secretary  
Department of Transportation

**Township of Todd**  
Fulton County  
2998 East Dutch Corner Road  
McConnellsburg, PA 17233

**The Honorable James Nelson DeShong**  
Chairman of the Board of Supervisors

**Ms. Connie Hann**  
Secretary/Treasurer

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