

ATTESTATION ENGAGEMENT

Township of West Hempfield

Lancaster County, Pennsylvania

36-239

Liquid Fuels Tax Fund

For the Period

January 1, 2015 to December 31, 2016

December 2017



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 West Hempfield, Lancaster County, for the period January 1, 2015 to December 31, 2016. 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 in accordance with the criteria, 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 judgment, 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)

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 West Hempfield, Lancaster County, for the period January 1, 2015 to December 31, 2016, 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.

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:

- Electronic Imaging Of Canceled Checks From The Bank Do 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 West Hempfield, Lancaster 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we did note a matter that, while not required to be included in this report by *Government Auditing Standards*, has been included in the finding below:

- Documentation For Price Quotations Was Not Available For Examination.

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 West Hempfield, Lancaster 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

December 20, 2017

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TOWNSHIP OF WEST HEMPFIELD
LANCASTER COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2016

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 WEST HEMPFIELD
LANCASTER COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2016

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 WEST HEMPFIELD
LANCASTER COUNTY
LIQUID FUELS TAX FUND
2015 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

| <u>Expenditure Summary</u> | <u>Reported</u> | <u>Adjustments (Note 4)</u> | <u>Adjusted Amount</u> |
|---|--------------------------|---------------------------------|----------------------------|
| Major equipment purchases | \$ - | \$ - | \$ - |
| Minor equipment purchases | - | - | - |
| Computer/Computer related training | - | - | - |
| Agility projects | - | - | - |
| Cleaning streets and gutters | - | - | - |
| Winter maintenance services | 62,608.76 | - | 62,608.76 |
| Traffic control devices | 66,090.90 | - | 66,090.90 |
| Street lighting | 1,376.95 | - | 1,376.95 |
| Storm sewers and drains | 7,245.64 | (75.00) | 7,170.64 |
| Repairs of tools and machinery | - | - | - |
| Maintenance and repair of roads and bridges | 95,477.43 | - | 95,477.43 |
| Highway construction and rebuilding projects | 285,538.69 | - | 285,538.69 |
| Miscellaneous (Bank service charges) | 30.00 | - | 30.00 |
| | <u>30.00</u> | <u>-</u> | <u>30.00</u> |
| Total (To Section 2, Line 5) | <u>\$ 518,368.37</u> | <u>\$ (75.00)</u> | <u>\$ 518,293.37</u> |

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

TOWNSHIP OF WEST HEMPFIELD
LANCASTER COUNTY
LIQUID FUELS TAX FUND
2015 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, 2015 | \$ 379,529.22 | \$ - | \$ 379,529.22 |
| Receipts: | | | |
| 2. State allocation | 451,794.17 | - | 451,794.17 |
| 2a. Turnback allocation | 10,560.00 | - | 10,560.00 |
| 2b. Interest on investments (Note 3) | 238.19 | - | 238.19 |
| 2c. Miscellaneous (Note 5) | 894.00 | - | 894.00 |
| 3. Total receipts | <u>463,486.36</u> | <u>-</u> | <u>463,486.36</u> |
| 4. Total funds available | <u>843,015.58</u> | <u>-</u> | <u>843,015.58</u> |
| 5. Expenditures (Section 1) | <u>518,368.37</u> | <u>(75.00)</u> | <u>518,293.37</u> |
| 6. Balance, December 31, 2015 | <u><u>\$ 324,647.21</u></u> | <u><u>\$ 75.00</u></u> | <u><u>\$ 324,722.21</u></u> |

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

TOWNSHIP OF WEST HEMPFIELD
LANCASTER COUNTY
LIQUID FUELS TAX FUND
2015 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 | \$ 379,529.22 | \$ - | \$ 379,529.22 |
| 2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2) | 92,470.83 | - | 92,470.83 |
| 3. PENNDOT approved adjustments | - | - | - |
| 4. Total funds available for equipment acquisition | 472,000.05 | - | 472,000.05 |
| 5. Less: Major equipment expenditures | - | - | - |
| 6. Remainder | <u>472,000.05</u> | <u>-</u> | <u>472,000.05</u> |
| 7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero) | <u>\$ 324,647.21</u> | <u>\$ 75.00</u> | <u>\$ 324,722.21</u> |

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

TOWNSHIP OF WEST HEMPFIELD
LANCASTER 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 | \$ 55,132.00 | \$ (9,447.00) | \$ 45,685.00 |
| Minor equipment purchases | - | 9,447.00 | 9,447.00 |
| Computer/Computer related training | - | - | - |
| Agility projects | - | - | - |
| Cleaning streets and gutters | - | - | - |
| Winter maintenance services | 44,373.17 | - | 44,373.17 |
| Traffic control devices | 27,293.49 | - | 27,293.49 |
| Street lighting | 1,342.42 | - | 1,342.42 |
| Storm sewers and drains | 6,148.56 | - | 6,148.56 |
| Repairs of tools and machinery | - | - | - |
| Maintenance and repair of roads and bridges | 39,864.71 | - | 39,864.71 |
| Highway construction and rebuilding projects | 297,546.12 | - | 297,546.12 |
| Miscellaneous (Bank service charges) | 15.00 | - | 15.00 |
| | <u>15.00</u> | <u>-</u> | <u>15.00</u> |
| Total (To Section 2, Line 5) | <u>\$ 471,715.47</u> | <u>\$ -</u> | <u>\$ 471,715.47</u> |

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

TOWNSHIP OF WEST HEMPFIELD
LANCASTER 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 | \$ 324,647.21 | \$ 75.00 | \$ 324,722.21 |
| Receipts: | | | |
| 2. State allocation | 527,805.63 | - | 527,805.63 |
| 2a. Turnback allocation | 10,560.00 | - | 10,560.00 |
| 2b. Interest on investments (Note 3) | 1,704.38 | - | 1,704.38 |
| 2c. Miscellaneous | 75.00 | (75.00) | - |
| 3. Total receipts | <u>540,145.01</u> | <u>(75.00)</u> | <u>540,070.01</u> |
| 4. Total funds available | <u>864,792.22</u> | <u>-</u> | <u>864,792.22</u> |
| 5. Expenditures (Section 1) | <u>471,715.47</u> | <u>-</u> | <u>471,715.47</u> |
| 6. Balance, December 31, 2016 | <u><u>\$ 393,076.75</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 393,076.75</u></u> |

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

TOWNSHIP OF WEST HEMPFIELD
LANCASTER COUNTY
LIQUID FUELS TAX FUND
2016 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 | \$ 324,647.21 | \$ 75.00 | \$ 324,722.21 |
| 2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2) | 107,673.13 | - | 107,673.13 |
| 3. PENNDOT approved adjustments | <u>-</u> | <u>-</u> | <u>-</u> |
| 4. Total funds available for equipment acquisition | 432,320.34 | 75.00 | 432,395.34 |
| 5. Less: Major equipment expenditures | <u>55,132.00</u> | <u>(9,447.00)</u> | <u>45,685.00</u> |
| 6. Remainder | <u>377,188.34</u> | <u>9,522.00</u> | <u>386,710.34</u> |
| 7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero) | <u>\$ 377,188.34</u> | <u>\$ 9,522.00</u> | <u>\$ 386,710.34</u> |

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

TOWNSHIP OF WEST HEMPFIELD
LANCASTER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2016

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:

| 2012 | 2013 | 2014 | 2015/2016 |
|-------------|-------------|-------------|-------------|
| \$10,000.00 | \$10,200.00 | \$10,300.00 | \$10,500.00 |

- 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:

| 2012 | 2013 | 2014 | 2015/2016 |
|-------------|-------------|-------------|-------------|
| \$10,000.00 | \$10,200.00 | \$10,300.00 | \$10,500.00 |

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

TOWNSHIP OF WEST HEMPFIELD
LANCASTER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2016

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 WEST HEMPFIELD
LANCASTER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2016

1. Criteria (Continued)

General Fixed Assets

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

2. Deposits

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

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

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

There were no deposits exposed to custodial credit risk as of December 31, 2016. 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, 2016, consists of the following:

| | |
|------|--------------|
| Cash | \$393,076.75 |
|------|--------------|

TOWNSHIP OF WEST HEMPFIELD
LANCASTER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2016

3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in interest-bearing accounts which earned \$238.19 during 2015, and \$1,704.38 during 2016, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2015 - Section 1

An adjustment of \$(75.00) was made to “Storm sewers and drains” because check No. 3018 was voided but was included as an expenditure.

2016 - Section 1

Adjustments were made to “Major equipment purchases” and “Minor equipment purchases” because expenditures of \$9,447.00 were misclassified.

2016 - Section 2

An adjustment of \$75.00 was made to “Balance, January 1, 2016” to reflect the adjustment made to the fund balance in 2015 - Section 2.

An adjustment of \$(75.00) was made to “Miscellaneous” because there were no miscellaneous receipts.

2016 - Section 3

An adjustment of \$75.00 was made to “Prior year equipment balance” to reflect the adjustment made to the equipment balance in 2015 - Section 3.

An adjustment of \$(9,447.00) was made to “Major equipment expenditures” to reflect the adjustment made to major equipment purchases in 2016 - Section 1.

5. Miscellaneous Receipts

On October 29, 2015, the municipality deposited \$894.00 into its Liquid Fuels Tax Fund that was received from East Hempfield Township for the sale of pipe.

TOWNSHIP OF WEST HEMPFIELD
LANCASTER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2016

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.

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 WEST HEMPFIELD
LANCASTER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2016

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

Management's Response

The municipality officials stated:

I contacted the president of the bank and asked her why the bank does not include on the bank statements the backs of the checks. The bank says they do not do this for anyone and also other banks do not include backs of checks on statements. This would have to be enforced by PENNDOT to have this procedure enacted. No one gets the backs of the checks. I have been in this capacity for over 30 years and no one from PENNDOT or Department of the Auditor General's Office said this is a requirement.

Auditor's Conclusion

If the bank does not provide images of the back of the checks, it is the township's responsibility to ask for them and review them. The municipality should contact its financial institution to determine if the fronts and backs of cancelled checks are available on-line. If so, the municipality could view the checks on-line and print them out to verify that it was done. The failure to review the front and back of canceled checks increases the risk that errors or misappropriations will not be detected on a timely basis. During our next examination we will determine if the municipality complied with our recommendations.

TOWNSHIP OF WEST HEMPFIELD
LANCASTER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2016

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

Our examination disclosed that the township expended \$13,846.40 during 2015 from the Liquid Fuels Tax Fund for the purchase of a three way video detection system and new conduit and junction boxes for a traffic signal. The township was required to obtain three written or telephonic price quotations for this expenditure. However, documentation for price quotations was not available for examination.

The above expenditure was 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 2015] that exceed ten thousand dollars (\$10,500.00) but are less than the amount [in excess of \$19,400.00] 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.

The failure to comply with *The Second Class Township Code* could result in the township having to reimburse \$13,846.40 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the township reimburse \$13,846.40 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.

TOWNSHIP OF WEST HEMPFIELD
LANCASTER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2016

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

Management's Response

The municipal officials stated:

The intersection traffic signal was upgraded for the coming of a new store on the South/West corner of the intersection. The traffic signal upgrade was paid for by the corporation and the vendor was awarded the contract by store.

During the preparation for repaving of that intersection, two of the ground loops were destroyed. Typical destruction from surface milling. At the time, the township agreed that new video technology would be better suited than old ground loop technology. The store and the township came to an agreement. The store would pay the cost of replacing the ground loops, the township would pay the additional cost to have the new video detection cameras installed. Since the vendor was already on site and their equipment installed from the upgrade, it just made sense to allow them to complete the remaining issues.

Auditor's Conclusion

The Department of Transportation will determine if the municipality is required to reimburse \$13,846.40 to its Liquid Fuels Tax Fund. During our next examination we will determine if the municipality complied with our recommendations.

TOWNSHIP OF WEST HEMPFIELD
LANCASTER COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2016

An exit conference was held September 21, 2017. Those participating were:

TOWNSHIP OF WEST HEMPFIELD

Ms. Brenda Baumbach, Finance/Personnel Director

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Michael Klassen, Audit Supervisor

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

TOWNSHIP OF WEST HEMPFIELD
LANCASTER COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2016

This report was initially distributed to:

The Honorable Leslie Richards
Secretary
Department of Transportation

Township of West Hempfield
Lancaster County
3401 Marietta Avenue
Lancaster, PA 17601

The Honorable David Dumeyer
Chairman of the Board of Supervisors

Ms. Brenda Baumbach
Finance/Personnel Director

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.