

ATTESTATION ENGAGEMENT

City of York
York County, Pennsylvania
66-301
Liquid Fuels Tax Fund
For the Period
January 1, 2017 to December 31, 2020

April 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Yassmin Gramian, P.E.
Secretary
Department of Transportation
Harrisburg, PA 17120

We examined the accompanying Forms MS-965 With Adjustments for the Liquid Fuels Tax Fund of the City of York, York County, for the period January 1, 2017 to December 31, 2020. 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.

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.

As discussed in Finding No. 1, the city expended \$20,000.00 during 2017, and \$22,997.29 during 2019, for line painting without advertising for bids. Additionally, as discussed in Finding No. 3, the city transferred \$1,106.03 during 2017, \$364.62 during 2019, and \$15,970.89 during 2020, in excess of eligible expenditures from its Liquid Fuels Tax Fund to the General Fund. The city reimbursed \$889.05 to its Liquid Fuels Tax Fund on February 13, 2020.

Independent Auditor's Report (Continued)

In our opinion, except for the matters discussed in the preceding paragraph, 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 City of York, York County, for the period January 1, 2017 to December 31, 2020, 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.

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 internal control over reporting on the Forms MS-965 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 would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our engagement we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 City of York, York 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*:

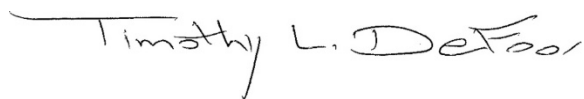
- Noncompliance With Advertising And Bidding Requirements.
- Turnback Allocation Deposited Into The General Fund.
- Amount Transferred From The Liquid Fuels Tax Fund To The General Fund Exceeded Eligible Expenditures.

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

- Late Receipt Of Allocations - Recurring.

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 City of York, York 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
March 4, 2022

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CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2017 TO DECEMBER 31, 2020

Background

The Liquid Fuels Tax Municipal Allocation Law, Act 655 of 1956, as amended, see also 72 P.S. § 2615.5, et sec., provides municipalities other than counties (i.e., 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 upon: (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.

Title 75 Pa.C.S. § 9511 of the Pennsylvania Vehicle Code 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.

CITY OF YORK
 YORK COUNTY
 LIQUID FUELS TAX FUND
 BACKGROUND
 FOR THE PERIOD
 JANUARY 1, 2017 TO DECEMBER 31, 2020

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.

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:

2017	2018	2019	2020
\$10,700.00	\$10,900.00	\$11,100.00	\$11,300.00

- 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:

2017	2018	2019	2020
\$10,700.00	\$10,900.00	\$11,100.00	\$11,300.00

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

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2017 TO DECEMBER 31, 2020

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.

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2017 TO DECEMBER 31, 2020

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.

CITY OF YORK
YORK 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	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	144,534.59	-	144,534.59
Agility projects	-	-	-
Cleaning streets and gutters	182,796.21	-	182,796.21
Winter maintenance services	88,244.72	-	88,244.72
Traffic control devices	146,790.46	(582.76)	146,207.70
Street lighting	54,565.38	-	54,565.38
Storm sewers and drains	19,190.10	-	19,190.10
Repairs of tools and machinery	1,083.39	-	1,083.39
Maintenance and repair of roads and bridges	96,150.45	-	96,150.45
Highway construction and rebuilding projects	133,320.79	-	133,320.79
Miscellaneous	-	889.05	889.05
 Total (To Section 2, Line 5)	 <u>\$ 866,676.09</u>	 <u>\$ 306.29</u>	 <u>\$ 866,982.38</u>

CITY OF YORK
YORK 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	\$ 1,281,392.79	\$ -	\$ 1,281,392.79
Receipts:			
2. State allocation	1,108,121.80	-	1,108,121.80
2a. Turnback allocation	20,280.00	-	20,280.00
2b. Interest on investments	17,711.72	-	17,711.72
2c. Miscellaneous	165,939.82	-	165,939.82
3. Total receipts	<u>1,312,053.34</u>	<u>-</u>	<u>1,312,053.34</u>
4. Total funds available	<u>2,593,446.13</u>	<u>-</u>	<u>2,593,446.13</u>
5. Expenditures (Section 1)	<u>866,676.09</u>	<u>306.29</u>	<u>866,982.38</u>
6. Balance, December 31, 2017	<u>\$ 1,726,770.04</u>	<u>\$ (306.29)</u>	<u>\$ 1,726,463.75</u>

CITY OF YORK
YORK 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	\$ 608,025.40	\$ -	\$ 608,025.40
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	225,680.36	-	225,680.36
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	833,705.76	-	833,705.76
5. Less: Major equipment expenditures	144,534.59	-	144,534.59
6. Remainder	<u>689,171.17</u>	<u>-</u>	<u>689,171.17</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 689,171.17</u>	<u>\$ -</u>	<u>\$ 689,171.17</u>

CITY OF YORK
YORK 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	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	169,198.06	-	169,198.06
Agility projects	-	-	-
Cleaning streets and gutters	139,296.44	-	139,296.44
Winter maintenance services	260,163.66	(44.86)	260,118.80
Traffic control devices	129,525.66	(6.00)	129,519.66
Street lighting	112,419.74	(32.27)	112,387.47
Storm sewers and drains	22,352.07	-	22,352.07
Repairs of tools and machinery	1,354.08	-	1,354.08
Maintenance and repair of roads and bridges	95,679.41	-	95,679.41
Highway construction and rebuilding projects	270,275.54	-	270,275.54
Miscellaneous	-	216.98	216.98
 Total (To Section 2, Line 5)	 <u>\$ 1,200,264.66</u>	 <u>\$ 133.85</u>	 <u>\$ 1,200,398.51</u>

CITY OF YORK
YORK 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	\$ 1,726,769.97	\$ (306.22)	\$ 1,726,463.75
Receipts:			
2. State allocation	1,162,022.58	-	1,162,022.58
2a. Turnback allocation	20,280.00	-	20,280.00
2b. Interest on investments	28,550.56	-	28,550.56
2c. Miscellaneous	104,933.12	-	104,933.12
3. Total receipts	<u>1,315,786.26</u>	<u>-</u>	<u>1,315,786.26</u>
4. Total funds available	<u>3,042,556.23</u>	<u>(306.22)</u>	<u>3,042,250.01</u>
5. Expenditures (Section 1)	<u>1,200,264.66</u>	<u>133.85</u>	<u>1,200,398.51</u>
6. Balance, December 31, 2018	<u><u>\$ 1,842,291.57</u></u>	<u><u>\$ (440.07)</u></u>	<u><u>\$ 1,841,851.50</u></u>

CITY OF YORK
YORK 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	\$ 689,171.17	\$ -	\$ 689,171.17
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	236,460.52	-	236,460.52
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	925,631.69	-	925,631.69
5. Less: Major equipment expenditures	169,198.06	-	169,198.06
6. Remainder	<u>756,433.63</u>	<u>-</u>	<u>756,433.63</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 756,433.63</u>	<u>\$ -</u>	<u>\$ 756,433.63</u>

CITY OF YORK
YORK 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	168,698.04	-	168,698.04
Agility projects	-	-	-
Cleaning streets and gutters	129,008.30	4,432.74	133,441.04
Winter maintenance services	200,412.47	-	200,412.47
Traffic control devices	149,560.77	-	149,560.77
Street lighting	121,993.52	-	121,993.52
Storm sewers and drains	18,084.90	-	18,084.90
Repairs of tools and machinery	136.00	-	136.00
Maintenance and repair of roads and bridges	122,736.74	-	122,736.74
Highway construction and rebuilding projects	143,783.85	-	143,783.85
Miscellaneous	-	133,840.69	133,840.69
 Total (To Section 2, Line 5)	 <u>\$ 1,054,414.59</u>	 <u>\$ 138,273.43</u>	 <u>\$ 1,192,688.02</u>

CITY OF YORK
YORK 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	\$ 1,842,291.47	\$ (439.97)	\$ 1,841,851.50
Receipts:			
2. State allocation	1,189,641.59	-	1,189,641.59
2a. Turnback allocation	20,280.00	-	20,280.00
2b. Interest on investments	42,326.06	-	42,326.06
2c. Miscellaneous	7,084.93	134,665.89	141,750.82
3. Total receipts	<u>1,259,332.58</u>	<u>134,665.89</u>	<u>1,393,998.47</u>
4. Total funds available	<u>3,101,624.05</u>	<u>134,225.92</u>	<u>3,235,849.97</u>
5. Expenditures (Section 1)	<u>1,054,414.59</u>	<u>138,273.43</u>	<u>1,192,688.02</u>
6. Balance, December 31, 2019	<u><u>\$ 2,047,209.46</u></u>	<u><u>\$ (4,047.51)</u></u>	<u><u>\$ 2,043,161.95</u></u>

CITY OF YORK
YORK 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	\$ 756,433.63	\$ -	\$ 756,433.63
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	241,984.32	-	241,984.32
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	998,417.95	-	998,417.95
5. Less: Major equipment expenditures	168,698.04	-	168,698.04
6. Remainder	<u>829,719.91</u>	<u>-</u>	<u>829,719.91</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 829,719.91</u>	<u>\$ -</u>	<u>\$ 829,719.91</u>

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
2020 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	96,656.16	-	96,656.16
Agility projects	-	-	-
Cleaning streets and gutters	140,476.35	(4,432.74)	136,043.61
Winter maintenance services	87,616.00	-	87,616.00
Traffic control devices	89,435.25	-	89,435.25
Street lighting	205,189.29	-	205,189.29
Storm sewers and drains	12,698.85	-	12,698.85
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	77,197.12	-	77,197.12
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	15,970.89	15,970.89
 Total (To Section 2, Line 5)	 <u>\$ 709,269.02</u>	 <u>\$ 11,538.15</u>	 <u>\$ 720,807.17</u>

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
2020 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, 2020	\$ 2,047,209.46	\$ (4,047.51)	\$ 2,043,161.95
Receipts:			
2. State allocation	1,157,905.11	-	1,157,905.11
2a. Turnback allocation	20,280.00	-	20,280.00
2b. Interest on investments	7,539.52	-	7,539.52
2c. Miscellaneous	45,014.12	5,296.21	50,310.33
3. Total receipts	1,230,738.75	5,296.21	1,236,034.96
4. Total funds available	3,277,948.21	1,248.70	3,279,196.91
5. Expenditures (Section 1)	709,269.02	11,538.15	720,807.17
6. Balance, December 31, 2020	<u>\$ 2,568,679.19</u>	<u>\$ (10,289.45)</u>	<u>\$ 2,558,389.74</u>

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
2020 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	\$ 829,719.91	\$ -	\$ 829,719.91
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	235,637.02	-	235,637.02
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	1,065,356.93	-	1,065,356.93
5. Less: Major equipment expenditures	96,656.16	-	96,656.16
6. Remainder	<u>968,700.77</u>	<u>-</u>	<u>968,700.77</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 968,700.77</u>	<u>\$ -</u>	<u>\$ 968,700.77</u>

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2017 TO DECEMBER 31, 2020

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

Adjustments

2017 - Section 1

An adjustment of \$(582.76) was made to “Traffic control devices” because these expenditures were overstated.

An adjustment of \$889.05 was made to “Miscellaneous” because a transfer to the General Fund was not reported (see Finding No. 3).

2018 - Section 1

An adjustment of \$(44.86) was made to “Winter maintenance services” because check No. 9042018 was voided, but was included as an expenditure.

An adjustment of \$(6.00) was made to “Traffic control devices” because these expenditures were overstated.

An adjustment of \$(32.27) was made to “Street lighting” because check No. 327000 was voided, but was included as an expenditure.

An adjustment of \$216.98 was made to “Miscellaneous” because these expenditures were not reported.

2018 - Section 2

An adjustment of \$(306.22) was made to “Balance, January 1, 2018” because an incorrect fund balance was reported.

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Adjustments (Continued)

2019 - Section 1

An adjustment of \$4,432.74 was made to “Cleaning streets and gutters” because these expenditures were understated.

An adjustment of \$133,840.69 was made to “Miscellaneous” because these expenditures were not reported.

2019 - Section 2

An adjustment of \$(439.97) was made to “Balance, January 1, 2019” because an incorrect fund balance was reported.

An adjustment of \$134,665.89 was made to “Miscellaneous” because these receipts were understated.

2020 - Section 1

An adjustment of \$(4,432.74) was made to “Cleaning streets and gutters” because these expenditures were overstated.

An adjustment of \$15,970.89 was made to “Miscellaneous” because a transfer to the General Fund was not reported (see Finding No. 3).

2020 - Section 2

An adjustment of \$4,047.51 was made to “Balance, January 1, 2020” to reflect the adjustment made to the fund balance in 2019 - Section 2.

An adjustment of \$5,296.21 was made to “Miscellaneous” because these receipts were understated.

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Miscellaneous Receipts

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

Source	Description	2017	2018	2019	2020
Commonwealth of Pennsylvania	Winter maintenance agreement	\$ -	\$ 47,025.71	\$ 1,598.33	\$45,134.44
Manchester Township	Share of paving project	101,834.78	-	-	-
F.E.M.A.	Severe weather assistance	64,105.04	-	-	-
Vendor	Grant for street sweeper	-	25,000.00	-	-
General Fund	Reimbursement (Summary Of Prior Examination Recommendations)	-	26,675.23	-	-
Vendor	Reimbursement for materials	-	6,232.18	384.77	135.00
General Fund	Grant	-	-	1,116.41	-
Payroll Fund	Liquid Fuels portion of interest	-	-	684.10	-
General Fund	Reimbursement for sweeper expenses	-	-	3,602.09	-
General Fund	Reimbursement for damages	-	-	-	5,040.89
General Fund	Reimbursement (Finding No. 3)	-	-	889.05	-
General Fund	Deposit in error	-	-	133,476.07	-
Totals		<u>\$165,939.82</u>	<u>\$104,933.12</u>	<u>\$141,750.82</u>	<u>\$50,310.33</u>

Miscellaneous Expenditures

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

Payee	Description	2017	2018	2019	2020
General Fund	Transfers (Finding No. 3)	\$889.05	\$216.98	\$ 364.62	\$15,970.89
General Fund	Correction of deposit in error	-	-	133,476.07	-
Totals		<u>\$889.05</u>	<u>\$216.98</u>	<u>\$133,840.69</u>	<u>\$15,970.89</u>

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Lease-Purchase Agreement

On February 6, 2015, the municipality entered into a lease-purchase agreement with Fulton Bank to purchase a 2014 Global street sweeper for \$337,545.00. The agreement was for a term of five years at an interest rate of 3.25 percent. Principal and interest payments of \$72,041.88 are due annually. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$134,741.17 and \$9,342.59, respectively, plus fees of \$7,204.18.

During the current examination period, the municipality paid principal of \$202,803.83, and interest of \$13,322.78 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. On February 12, 2019, the lease-purchase agreement was paid-in-full.

Lease-Purchase Agreement

On August 1, 2016, the municipality entered into a lease-purchase agreement with Fulton Bank to purchase a 2017 Western Star dump truck for \$145,532.00. The agreement was for a term of five years at an interest rate of 2.80 percent. Principal and interest payments of \$30,735.55 are due annually. Prior years' principal payments from the Liquid Fuels Tax Fund were \$30,735.55, plus a document fee of \$500.00.

During the current examination period, the municipality paid principal of \$114,796.45, and interest of \$8,146.72 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2017, 2018, 2019, and 2020 Forms MS-965 - Section 1. On August 3, 2020, the lease-purchase agreement was paid-in-full.

Lease-Purchase Agreement

On January 24, 2018, the municipality entered into a lease-purchase agreement with Fulton Bank to purchase a 2017 Ford F-550 for \$116,707.00. The agreement was for a term of five years at an interest rate of 3.00 percent. Principal and interest payments of \$24,757.58 are due annually.

During the current examination period, the municipality paid principal of \$69,333.21, interest of \$4,939.53, and an acquisition fee of \$500.00 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2018, 2019, and 2020 Forms MS-965 - Section 1. The outstanding balance of the lease-purchase agreement as of December 31, 2020, was \$47,373.79, plus interest.

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Lease-Purchase Agreement

On July 11, 2017, the municipality entered into a lease-purchase agreement to purchase a 2017 Pelican street sweeper for \$226,091.00. The municipality traded in 2003 and 2008 Elgin street sweepers and received a trade in allowance of \$32,000.00. The municipality borrowed the remaining \$194,091.00 from Fulton Bank. The agreement was for a term of four years at an interest rate of 6.00 percent. Principal and interest payments of \$41,163.23 are due annually.

During the current examination period, the municipality paid principal of \$154,140.98, interest of \$10,511.94, and a document fee of \$594.00 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2017, 2018, 2019, and 2020 Forms MS-965 - Section 1. The outstanding balance of the lease-purchase agreement as of December 31, 2020, was \$39,950.02, plus interest.

Deposit In Error

On December 19, 2019, the municipality deposited \$133,476.07 into its Liquid Fuels Tax Fund in error. On December 19, 2019, the municipality transferred this amount from its Liquid Fuels Tax Fund to its General Fund to correct the deposit in error.

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Finding No. 1 - Noncompliance With Advertising And Bidding Requirements

Our examination disclosed that the city expended \$20,000.00 during 2017 and \$22,997.29 during 2019 from the Liquid Fuels Tax Fund for line painting without advertising for bids.

The above expenditures were 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 \$19,700.00 for 2017, \$20,100.00 for 2018, \$20,600.00 for 2019, \$21,000.00 for 2020, \$21,300.00 for 2021, and \$21,900.00 for 2022. *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.

The failure to follow *The Third Class City Code* could result in the city having to reimburse \$42,997.29 to its Liquid Fuels Tax Fund.

This condition occurred because the city did not believe that bids were needed.

Recommendations

We recommend that the city reimburse \$42,997.29 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the city complies with *The Third Class City Code* as noted in this finding.

Management's Response

The city officials stated:

Our public works director was under the impression that there was only one company locally that provided the line painter service that was needed for the projects in question, and as such, advertising for bids was not needed. Going forward, we will follow the advertising, bidding, and contact requirements of *The Third Class City Code*, 53 P.S. § 36901(b) and advertise for bids when purchases are over the established limits.

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Finding No. 1 - Noncompliance With Advertising And Bidding Requirements (Continued)

Auditor's Conclusion

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

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Finding No. 2 - Turnback Allocation Deposited Into The General Fund

Our examination disclosed that the 2018 Turnback allocation of \$20,280.00 was deposited into the city's General Fund on March 20, 2018, which is in noncompliance with the Liquid Fuels Tax Municipal Allocation Law.

The practice of depositing liquid fuels money into any account other than the Liquid Fuels Tax Fund account is contrary to the Act of June 1, 1956, P.L. (1955) 1944, 72 P.S. § 2615.5, known as the Liquid Fuels Tax Municipal Allocation Law, which states:

. . . each city, borough, town and township, shall . . . Establish and maintain a special fund into which the moneys [liquid fuels tax funds] . . . shall be deposited and into which no other moneys may be deposited or commingled . . .

The risk that Liquid Fuels Tax Fund money may be used for unauthorized purposes increases when liquid fuels money is commingled with other funds.

On August 14, 2018, the municipality reimbursed \$20,280.00 to the Liquid Fuels Tax Fund.

This error was caused by the deputy controller not understanding a new cash receipting system, and being behind on transferring funds.

Turnback allocations for all other years examined were properly deposited into the city's Liquid Fuels Tax Fund.

Recommendation

We recommend that, in the future, the municipality continues to deposit all liquid fuels tax money promptly into the Liquid Fuels Tax Fund.

Management's Response

The city officials stated:

We have changed to a new software program and implemented steps to guarantee that funds are deposited in the correct fund in a timely manner.

Auditor's Conclusion

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

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Finding No. 3 - Amount Transferred From The Liquid Fuels Tax Fund To The General Fund Exceeded Eligible Expenditures

Our examination disclosed that the city transfers money from its Liquid Fuels Tax Fund to its General Fund for the reimbursement of eligible expenditures. The city transferred \$1,106.03 during 2017, \$364.62 during 2019, and \$15,970.89 during 2020 in excess of eligible expenditures.

The practice of transferring liquid fuels money in excess of the amount incurred for permissible liquid fuels expenditures into any account other than the Liquid Fuels Tax Fund account is contrary to the Liquid Fuels Tax Municipal Allocation Law, 72 P.S. § 2615.5, which states:

. . . each city, borough, town, and township, shall . . . Establish and maintain a special fund into which the moneys [liquid fuels tax funds] . . . shall be deposited and into which no other moneys may be deposited or commingled . . .

Good internal accounting controls ensure that disbursements are made from the Liquid Fuels Tax Fund only for expenditures incurred. When Liquid Fuels Tax Fund money is commingled with the General Fund or other funds, the potential for Liquid Fuels Tax Fund money to be used for unauthorized purposes increases significantly.

On February 13, 2019, the municipality reimbursed \$889.05 to the Liquid Fuels Tax Fund.

We were unable to determine why this condition occurred.

Recommendations

We recommend that the city reimburse \$16,552.49 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We also recommend that the city establish and implement internal controls to ensure transfers are reviewed timely to prevent and detect excess transfers.

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**Finding No. 3 - Amount Transferred From The Liquid Fuels Tax Fund To The General Fund
Exceeded Eligible Expenditures (Continued)**

Management's Response

The city officials stated:

We will double check to see if/when this was corrected. 2020 was a bad year for the City due to a break in at City Hall, during which our IT infrastructure was destroyed including our financial management system. For several months we did not have access to our financial records.

Auditor's Conclusion

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

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FINDINGS AND RECOMMENDATIONS
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Finding No. 4 - Late Receipt Of Allocations - Recurring

We cited the city for late receipt of allocations in our prior three reports, with the most recent being for the period January 1, 2014 to December 31, 2016. Our current examination disclosed that the 2018 and 2019 Liquid Fuels Tax Fund allocations of \$1,162,022.58 and \$1,189,641.59, respectively, 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 July 5, 2018, and May 28, 2019, 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 31st and the Survey of Financial Condition by March 15th.
- 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 2018 allocation for four months and the 2019 allocation for almost three 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.

A similar finding was also written in our prior report. However, the city received its 2020 and 2021 Liquid Fuels Tax Fund allocations on time.

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Finding No. 4 - Late Receipt Of Allocations - Recurring (Continued)

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 city officials stated:

We realize late receipt of allocations and will try to have the Liquid Fuels report completed in a timely manner. This has been an issue due to staffing.

Auditor's Conclusion

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

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SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
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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 \$26,675.23 to its Liquid Fuels Tax Fund. This amount consists of \$26,675.23 for liquid fuels money over expended on a project, and \$25,972.58 for retroactive expenditures, which was also included in the \$26,675.23 of liquid fuels money over expended on the project.

During our current examination, we reviewed a letter dated June 25, 2018, from the Department of Transportation directing the municipality to reimburse \$26,675.23 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on July 10, 2018.

In our prior report, we also recommended that the city:

- Expend only the approved amount of Liquid Fuels Tax Fund money on road construction projects.
- Comply with the Liquid Fuels Tax Municipal Allocation Law regarding permissible expenditures.
- File all required documents and information timely to receive its allocation during the first week in March.

During our current examination, we noted that the city complied with our first and second bulleted recommendations, but did not comply with our third bulleted recommendation until 2020 (see Finding No. 3).

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SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
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An exit conference was held February 24, 2022. Those participating were:

CITY OF YORK

Ms. Kim Robertson, Deputy Business Administrator for Finance

Mr. Daniel Hevner, Assistant Deputy Business Administrator for Finance

Mr. Gerard Lavelle, Staff Accountant

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Ryan W. Shrauder, Audit Supervisor

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

CITY OF YORK
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LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2017 TO DECEMBER 31, 2020

This report was initially distributed to:

The Honorable Yassmin Gramian, P.E.
Secretary
Department of Transportation

City of York
York County
101 South George Street
P.O. Box 509
York, PA 17405

The Honorable Sandie Walker
President of City Council

Ms. Kim Robertson
Interim Deputy Business Administrator for Finance

Mr. Daniel Hevner
Assistant Deputy Business Administrator for Finance

Mr. Gerard Lavelle
Staff Accountant

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