

# ATTESTATION ENGAGEMENT

---

Township of Lehman

Pike County, Pennsylvania

51-206

Liquid Fuels Tax Fund

For the Period

January 1, 2023 to December 31, 2023

---

December 2024



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  
Twitter: @PAAuditorGen  
www.PaAuditor.gov

TIMOTHY L. DEFOOR  
AUDITOR GENERAL

### Independent Auditor's Report

The Honorable Michael Carroll  
Secretary  
Department of Transportation  
Harrisburg, PA 17120

We examined the accompanying Form MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Township of Lehman, Pike County, for the period January 1, 2023 to December 31, 2023. The municipality's management is responsible for presenting the Form 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 Form 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 Form MS-965 is presented in accordance with the criteria described above, in all material respects. An examination involves performing procedures to obtain evidence about the Form 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 Form 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 qualified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with ethical requirements relating to the engagement.

As discussed in the Finding And Recommendation section of this report, the 2023 Liquid Fuels allocation of \$283,844.52, had not been received as of the date of our examination's onsite closeout meeting on September 25, 2024.

## Independent Auditor's Report (Continued)

As discussed in the Summary Of Prior Examinations' Recommendations section, as of the date of our current examination's onsite closeout meeting on September 25, 2024, the municipality had not reimbursed \$293,796.23 to the Liquid Fuels Tax Fund for failure to receive an approved final completion report because of lump sum bidding without the approval of the Department of Transportation.

In our opinion, except for the matters discussed in the preceding paragraphs, the Form MS-965 With Adjustments presents, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund of the Township of Lehman, Pike County, for the period January 1, 2023 to December 31, 2023, 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 Form MS-965; 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 Form 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 Form MS-965 is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on internal control over reporting on the Form 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 Form 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 Form MS-965 was for the limited purpose of expressing an opinion on whether the Form MS-965 is 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.

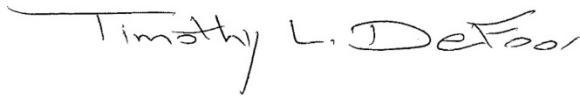
Independent Auditor's Report (Continued)

As part of obtaining reasonable assurance about whether the Form MS-965 is free from material misstatement, we performed tests of the Township of Lehman, Pike 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 Form 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 instance of noncompliance that is required to be reported under *Government Auditing Standards*:

- Failure To Receive Allocation.

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 Lehman, Pike 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  
November 6, 2024

# CONTENTS

	<u>Page</u>
Background.....	1
Financial Section:	
2023 Form MS-965 With Adjustments .....	5
Auditor Description Of Select Transactions.....	8
Finding And Recommendation:	
Finding - Failure To Receive Allocation.....	9
Summary Of Prior Examinations' Recommendations.....	11
Summary Of Onsite Closeout Meeting.....	12
Report Distribution .....	13

TOWNSHIP OF LEHMAN  
PIKE COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2023 TO DECEMBER 31, 2023

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.

TOWNSHIP OF LEHMAN  
 PIKE COUNTY  
 LIQUID FUELS TAX FUND  
 BACKGROUND  
 FOR THE PERIOD  
 JANUARY 1, 2023 TO DECEMBER 31, 2023

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:

2020	2021	2022	2023
\$11,300.00	\$11,500.00	\$11,800.00	\$12,200.00

- 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:

2020	2021	2022	2023
\$11,300.00	\$11,500.00	\$11,800.00	\$12,200.00

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

TOWNSHIP OF LEHMAN  
PIKE COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2023 TO DECEMBER 31, 2023

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 LEHMAN  
PIKE COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2023 TO DECEMBER 31, 2023

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 LEHMAN  
 PIKE COUNTY  
 LIQUID FUELS TAX FUND  
 2023 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	52,000.00	-	52,000.00
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	30,941.83	-	30,941.83
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	1,118.52	-	1,118.52
Maintenance and repair of roads and bridges	30,000.00	-	30,000.00
Highway construction and rebuilding projects	-	-	-
Miscellaneous	96,168.03	-	96,168.03
 Total (To Section 2, Line 5)	 <u>\$ 210,228.38</u>	 <u>\$ -</u>	 <u>\$ 210,228.38</u>

TOWNSHIP OF LEHMAN  
 PIKE COUNTY  
 LIQUID FUELS TAX FUND  
 2023 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, 2023	\$ 96,805.11	\$ -	\$ 96,805.11
Receipts:			
2. State allocation	-	-	-
2a. Turnback allocation	21,240.00	-	21,240.00
2b. Interest on investments	124.14	-	124.14
2c. Miscellaneous	96,168.03	-	96,168.03
3. Total receipts	<u>117,532.17</u>	<u>-</u>	<u>117,532.17</u>
4. Total funds available	<u>214,337.28</u>	<u>-</u>	<u>214,337.28</u>
5. Expenditures (Section 1)	<u>210,228.38</u>	<u>-</u>	<u>210,228.38</u>
6. Balance, December 31, 2023	<u><u>\$ 4,108.90</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,108.90</u></u>

TOWNSHIP OF LEHMAN  
 PIKE COUNTY  
 LIQUID FUELS TAX FUND  
 2023 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	\$ 74,594.57	\$ -	\$ 74,594.57
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	4,248.00	-	4,248.00
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	78,842.57	-	78,842.57
5. Less: Major equipment expenditures	52,000.00	-	52,000.00
6. Remainder	<u>26,842.57</u>	<u>-</u>	<u>26,842.57</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 4,108.90</u>	<u>\$ -</u>	<u>\$ 4,108.90</u>

TOWNSHIP OF LEHMAN  
PIKE COUNTY  
LIQUID FUELS TAX FUND  
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS  
FOR THE PERIOD  
JANUARY 1, 2023 TO DECEMBER 31, 2023

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

Deposits In Error

On January 30, 2023, February 21, 2023 and April 21, 2023, state funds of \$33,983.51, \$40,242.33 and \$21,942.19, respectively, were electronically deposited into the municipality's Liquid Fuels Tax Fund in error. On January 30, 2023, February 22, 2023 and April 24, 2023, the municipality transferred these amounts from its Liquid Fuels Tax Fund to its General Fund to correct the deposits in error.

TOWNSHIP OF LEHMAN  
PIKE COUNTY  
LIQUID FUELS TAX FUND  
FINDING AND RECOMMENDATION  
FOR THE PERIOD  
JANUARY 1, 2023 TO DECEMBER 31, 2023

**Finding - Failure To Receive Allocation**

Our examination disclosed that the 2023 Liquid Fuels Tax Fund allocation of \$283,844.52, which should have been distributed from the Department of Transportation to the municipality during the first week of March of that year, had not been received as of the date of our examination closeout meeting on September 25, 2024, 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 comply with a reimbursement request related to our 2018-2020 examination, the municipality has not had use of the 2023 allocation. Furthermore, had the allocation 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.

TOWNSHIP OF LEHMAN  
PIKE COUNTY  
LIQUID FUELS TAX FUND  
FINDING AND RECOMMENDATION  
FOR THE PERIOD  
JANUARY 1, 2023 TO DECEMBER 31, 2023

**Finding - Failure To Receive Allocation (Continued)**

Recommendation

We recommend that the municipality 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 Chairman of the Board of Supervisors stated:

The failure to receive the allocation was not, in our opinion, the fault of Lehman Township. This issue has gone into litigation with PennDOT and is currently at the state Commonwealth Court.

Auditor's Conclusion

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

TOWNSHIP OF LEHMAN  
PIKE COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF 2018-2020 EXAMINATION RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2023 TO DECEMBER 31, 2023

Summary Of 2018-2020 Examination Recommendations

In our 2018-2020 report we recommended that the Department of Transportation review our examination findings to determine if the municipality should reimburse \$311,811.23 to its Liquid Fuels Tax Fund. This amount consists of \$293,811.23 for failure to receive an approved final completion report because of lump sum bidding without the approval of the Department of Transportation and \$18,000.00 for a failure to maintain documentation for price quotations.

During our 2021-2022 examination, we reviewed a letter dated March 23, 2022, from the Department of Transportation directing the municipality to reimburse \$311,811.23 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed \$18,015.00 on September 9, 2021. As of the date of the onsite closeout conference for our current examination of September 25, 2024, the balance of \$293,796.23 had not been reimbursed to the Liquid Fuels Tax Fund. The Department of Transportation's letter stated that future Liquid Fuels allocations will be contingent upon proper reimbursement, and the Department of Transportation had not released the 2023 allocation as of the date of the closeout conference for our current examination (see Finding).



TOWNSHIP OF LEHMAN  
PIKE COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF ONSITE CLOSEOUT MEETING  
FOR THE PERIOD  
JANUARY 1, 2023 TO DECEMBER 31, 2023

An onsite closeout meeting was held September 25, 2024. Those participating were:

TOWNSHIP OF LEHMAN

The Honorable Robert Rohner, Chairman/Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Anthony J. Frable, Jr., Auditor

TOWNSHIP OF LEHMAN  
PIKE COUNTY  
LIQUID FUELS TAX FUND  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2023 TO DECEMBER 31, 2023

This report was initially distributed to:

**The Honorable Michael Carroll**  
Secretary  
Department of Transportation

**Township of Lehman**  
Pike County  
193 Municipal Drive  
Bushkill, PA 18324

**The Honorable Robert Rohner**  
Chairman/Secretary/Treasurer

**The Honorable Theresa Laino**  
Vice-Chairperson of the Board of Supervisors

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