

# ATTESTATION ENGAGEMENT

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**Township of Mann**  
**Bedford County, Pennsylvania**  
**05-216**  
**Liquid Fuels Tax Fund**  
**For the Period**  
**January 1, 2015 to December 31, 2016**

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**February 2018**



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 Mann, Bedford 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 described above, in all material respects. An examination involves performing procedures to obtain evidence about the Forms MS-965. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the Forms MS-965, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

As described in Finding No. 3, the adjustments included on the Forms MS-965 With Adjustments are made by the Department of the Auditor General.

### Independent Auditor's Report (Continued)

As discussed in the Findings and Recommendations and Summary Of Prior Examinations Recommendations sections of this report:

- The municipality did not maintain documentation to support expenditures and payroll of \$8,710.73 during 2015 and \$12,518.20 during 2016 (see Finding No. 1).
- The municipality made duplicate payments and overpayments totaling \$8,501.84 during 2015. The municipality received credits of \$7,401.20 from the vendor during 2015 leaving a balance of \$1,100.64 due the Liquid Fuels Tax Fund (see Finding No. 2).
- The municipality expended \$51,947.40 during 2015 for the purchase of DSA stone without advertising and bidding. On November 12, 2015, the township received \$20,000.00 from the General Fund for the DSA stone. The balance due the Liquid Fuels Tax Fund was \$31,947.40 (see Finding No. 4).
- The municipality expended \$10,589.07 during 2015 for nonpermissible expenditures (see Finding No. 5).
- The municipality expended \$1,921.95 on February 12, 2015 for expenditures that were incurred between October 20, 2014 and November 19, 2014, which are retroactive expenditures (see Finding No. 6).
- As a result of findings in our 2007-2009 and 2010-2011 examination reports, the Department of Transportation determined that the municipality was required to reimburse \$69,532.45 to its Liquid Fuels Tax Fund. During the 2012-2014 examination period the municipality reimbursed \$6,207.37 to its Liquid Fuels Tax Fund. During the current examination period the municipality reimbursed \$23,227.05 to its Liquid Fuels Tax Fund, leaving a balance due of \$40,098.03 (see Summaries Of 2007-2009 and 2010-2011 Examination Recommendations).
- During our 2012-2014 examination period the municipality expended \$23,383.95 from its Liquid Fuels Tax Fund without maintaining documentation to support the expenditures. As of the exit conference date of this report of November 30, 2017, the municipality had not reimbursed this amount to its Liquid Fuels Tax Fund (see Summary of 2012-2014 Examination Recommendations).

In our opinion, except for the bulleted matters discussed above, 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 Mann, Bedford County, for the period January 1, 2015 to December 31, 2016, in accordance with the criteria set forth in Note 1.

## Independent Auditor's Report (Continued)

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Forms MS-965; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the Forms MS-965. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Forms MS-965 are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over reporting on the Forms MS-965 or on compliance and other matters; accordingly, we express no such opinions.

Our consideration of internal control was for the limited purpose of expressing an opinion on whether the Forms MS-965 are presented in accordance with the criteria described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Forms MS-965 will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies below to be material weaknesses:

- Documentation Supporting Expenditures And Payroll Were Not Available For Examination - Recurring.
- Duplicate Payment And Overpayment Of Invoices.
- Failure To Properly Prepare Forms MS-965 - Recurring.

## 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 Mann, Bedford 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.
- Nonpermissible Expenditures.
- Retroactive Expenditures.

We also noted matters that, while not required to be included in this report by *Government Auditing Standards*, have been included in the findings below:

- Idle Funds Held In A Noninterest Bearing Account - Recurring.
- Late Receipt Of Allocation.

Three of the eight examination findings contained in this report cite conditions that existed in the operation of the municipality during the previous engagement period and were not corrected during the current examination period. We are concerned with the failure to correct those conditions and with the numerous instances of internal control weaknesses and instances of non-compliance noted. The municipality should strive to comply with the recommendations in this report.

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 Mann, Bedford 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

January 25, 2018

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TOWNSHIP OF MANN  
BEDFORD 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 MANN  
BEDFORD 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 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.

TOWNSHIP OF MANN  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
2015 FORM MS-965 – SECTION 1  
WITH ADJUSTMENTS

| <u>Expenditure Summary</u>                      | <u>Reported</u> | <u>Adjustments<br/>(Finding)</u> | <u>Adjusted<br/>Amount</u> |
|---|-----------------|----------------------------------|----------------------------|
| Major equipment purchases                       | \$ 12,457.02    | \$ (3,069.74)                    | \$ 9,387.28                |
| Minor equipment purchases                       | 3,855.16        | (455.16)                         | 3,400.00                   |
| Computer/Computer related training              | -               | -                                | -                          |
| Agility projects                                | -               | -                                | -                          |
| Cleaning streets and gutters                    | -               | -                                | -                          |
| Winter maintenance services                     | 9,747.79        | -                                | 9,747.79                   |
| Traffic control devices                         | -               | -                                | -                          |
| Street lighting                                 | -               | -                                | -                          |
| Storm sewers and drains                         | -               | -                                | -                          |
| Repairs of tools and machinery                  | 9,947.30        | (489.99)                         | 9,457.31                   |
| Maintenance and repair of<br>roads and bridges  | 216,433.69      | (53,284.94)                      | 163,148.75                 |
| Highway construction and<br>rebuilding projects | -               | -                                | -                          |
| Miscellaneous (Note 5)                          | -               | 77,571.70                        | 77,571.70                  |
|   | <hr/>           | <hr/>                            | <hr/>                      |
| Total (To Section 2, Line 5)                    | \$ 252,440.96   | \$ 20,271.87                     | \$ 272,712.83              |
|   | <hr/>           | <hr/>                            | <hr/>                      |

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

TOWNSHIP OF MANN  
 BEDFORD COUNTY  
 LIQUID FUELS TAX FUND  
 2015 FORM MS-965 – SECTION 2  
 WITH ADJUSTMENTS

| <u>Fund Balance</u>                  | <u>Reported</u>     | <u>Adjustments<br/>(Finding)</u> | <u>Adjusted<br/>Amount</u> |
|--------------------------------------|---------------------|----------------------------------|----------------------------|
| 1. Balance, January 1, 2015          | \$ 50,436.18        | \$ (8,795.87)                    | \$ 41,640.31               |
| Receipts:                            |                     |                                  |                            |
| 2. State allocation                  | 122,943.49          | -                                | 122,943.49                 |
| 2a. Turnback allocation              | 8,680.00            | -                                | 8,680.00                   |
| 2b. Interest on investments (Note 3) | -                   | 11.89                            | 11.89                      |
| 2c. Miscellaneous (Note 4)           | <u>103,812.75</u>   | <u>24,047.70</u>                 | <u>127,860.45</u>          |
| 3. Total receipts                    | <u>235,436.24</u>   | <u>24,059.59</u>                 | <u>259,495.83</u>          |
| 4. Total funds available             | <u>285,872.42</u>   | <u>15,263.72</u>                 | <u>301,136.14</u>          |
| 5. Expenditures (Section 1)          | <u>252,440.96</u>   | <u>20,271.67</u>                 | <u>272,712.63</u>          |
| 6. Balance, December 31, 2015        | <u>\$ 33,431.46</u> | <u>\$ (5,007.95)</u>             | <u>\$ 28,423.51</u>        |

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

TOWNSHIP OF MANN  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
2015 FORM MS-965 – SECTION 3  
WITH ADJUSTMENTS

| <u>Equipment Balance</u>  | <u>Reported</u>     | <u>Adjustments<br/>(Finding)</u> | <u>Adjusted<br/>Amount</u> |
|---|---------------------|----------------------------------|----------------------------|
| 1. Prior year equipment balance   | \$ 50,436.18        | \$ (17,465.41)                   | \$ 32,970.77               |
| 2. Add: Current year equipment allocation<br>(20% of Lines 2 + 2a, Section 2)   | 26,324.70           | -                                | 26,324.70                  |
| 3. PENNDOT approved<br>adjustments  | <u>-</u>            | <u>-</u>                         | <u>-</u>                   |
| 4. Total funds available for<br>equipment acquisition   | 76,760.88           | (17,465.41)                      | 59,295.47                  |
| 5. Less: Major equipment<br>expenditures  | <u>12,457.02</u>    | <u>(3,069.74)</u>                | <u>9,387.28</u>            |
| 6. Remainder  | <u>64,303.86</u>    | <u>(14,395.67)</u>               | <u>49,908.19</u>           |
| 7. Equipment balance available<br>for subsequent year (Lesser<br>of Line 6 or Section 2 balance,<br>but not less than zero) | <u>\$ 33,431.46</u> | <u>\$ (5,007.95)</u>             | <u>\$ 28,423.51</u>        |

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

TOWNSHIP OF MANN  
 BEDFORD COUNTY  
 LIQUID FUELS TAX FUND  
 2016 FORM MS-965 – SECTION 1  
 WITH ADJUSTMENTS

| <u>Expenditure Summary</u>                      | <u>Reported</u>          | <u>Adjustments<br/>(Finding)</u> | <u>Adjusted<br/>Amount</u> |
|---|--------------------------|----------------------------------|----------------------------|
| Major equipment purchases                       | \$ 6,264.61              | \$ (9.00)                        | \$ 6,255.61                |
| Minor equipment purchases                       | 27,580.97                | (12,729.89)                      | 14,851.08                  |
| Computer/Computer related training              | -                        | 479.99                           | 479.99                     |
| Agility projects                                | -                        | -                                | -                          |
| Cleaning streets and gutters                    | -                        | -                                | -                          |
| Winter maintenance services                     | 3,702.07                 | -                                | 3,702.07                   |
| Traffic control devices                         | -                        | -                                | -                          |
| Street lighting                                 | -                        | -                                | -                          |
| Storm sewers and drains                         | -                        | -                                | -                          |
| Repairs of tools and machinery                  | 24,000.12                | (3,283.17)                       | 20,716.95                  |
| Maintenance and repair of<br>roads and bridges  | 89,918.71                | (155.02)                         | 89,763.69                  |
| Highway construction and<br>rebuilding projects | -                        | -                                | -                          |
| Miscellaneous (Note 5)                          | -                        | 7,880.51                         | 7,880.51                   |
| <br>Total (To Section 2, Line 5)                | <br><u>\$ 151,466.48</u> | <br><u>\$ (7,816.58)</u>         | <br><u>\$ 143,649.90</u>   |

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

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

| <u>Fund Balance</u>                  | <u>Reported</u>     | <u>Adjustments<br/>(Finding)</u> | <u>Adjusted<br/>Amount</u> |
|--------------------------------------|---------------------|----------------------------------|----------------------------|
| 1. Balance, January 1, 2016          | \$ 24,636.32        | \$ 3,787.19                      | \$ 28,423.51               |
| Receipts:                            |                     |                                  |                            |
| 2. State allocation                  | 142,227.39          | -                                | 142,227.39                 |
| 2a. Turnback allocation              | 8,680.00            | -                                | 8,680.00                   |
| 2b. Interest on investments (Note 3) | 1.28                | 91.32                            | 92.60                      |
| 2c. Miscellaneous (Note 4)           | <u>10,000.00</u>    | <u>(772.95)</u>                  | <u>9,227.05</u>            |
| 3. Total receipts                    | <u>160,908.67</u>   | <u>(681.63)</u>                  | <u>160,227.04</u>          |
| 4. Total funds available             | <u>185,544.99</u>   | <u>3,105.56</u>                  | <u>188,650.55</u>          |
| 5. Expenditures (Section 1)          | <u>151,466.48</u>   | <u>(7,816.58)</u>                | <u>143,649.90</u>          |
| 6. Balance, December 31, 2016        | <u>\$ 34,078.51</u> | <u>\$ 10,922.14</u>              | <u>\$ 45,000.65</u>        |

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

TOWNSHIP OF MANN  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
2016 FORM MS-965 – SECTION 3  
WITH ADJUSTMENTS

| <u>Equipment Balance</u>  | <u>Reported</u>     | <u>Adjustments<br/>(Finding)</u> | <u>Adjusted<br/>Amount</u> |
|---|---------------------|----------------------------------|----------------------------|
| 1. Prior year equipment balance   | \$ 24,636.32        | \$ 3,787.19                      | \$ 28,423.51               |
| 2. Add: Current year equipment allocation<br>(20% of Lines 2 + 2a, Section 2)   | 30,181.48           | -                                | 30,181.48                  |
| 3. PENNDOT approved<br>adjustments  | <u>54,817.80</u>    | <u>-</u>                         | <u>54,817.80</u>           |
| 4. Total funds available for<br>equipment acquisition   | 109,635.60          | 3,787.19                         | 113,422.79                 |
| 5. Less: Major equipment<br>expenditures  | <u>6,264.61</u>     | <u>(9.00)</u>                    | <u>6,255.61</u>            |
| 6. Remainder  | <u>103,370.99</u>   | <u>3,796.19</u>                  | <u>107,167.18</u>          |
| 7. Equipment balance available<br>for subsequent year (Lesser<br>of Line 6 or Section 2 balance,<br>but not less than zero) | <u>\$ 34,078.51</u> | <u>\$ 10,922.14</u>              | <u>\$ 45,000.65</u>        |

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

TOWNSHIP OF MANN  
 BEDFORD 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.

TOWNSHIP OF MANN  
BEDFORD 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 2 (Continued)

- Expenditures include the total transferred from Section 1.

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.

TOWNSHIP OF MANN  
BEDFORD 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)

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.

General Fixed Assets

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

2. Deposits

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

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

Deposits consist of receipts and deposits in 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.

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

2. Deposits (Continued)

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 | <u>\$45,000.65</u> |
|------|--------------------|

3. Interest On Investments

Our examination disclosed that the municipality deposited some of its idle liquid fuels tax money in an interest-bearing account which earned \$11.89 during 2015 and \$92.60 during 2016, thus providing additional funds for road maintenance and repairs.

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

4. Miscellaneous Receipts

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

| <u>Source</u>                | <u>Description</u>   | <u>2014</u>         | <u>2015</u>       |
|------------------------------|--|---------------------|-------------------|
| General Fund                 | Reimbursements (Summary 2010-2011 Examination Recommendations) | \$ 14,000.00        | \$9,227.05        |
| Commonwealth of Pennsylvania | Turnback grant (Note 9)  | 92,374.00           | -                 |
| General Fund                 | Reimbursement (Finding No. 4)                                  | 20,000.00           | -                 |
| Commonwealth of Pennsylvania | Deposit in error (Note 8)                                      | 1,456.45            | -                 |
| Financial Institution        | Refund for bank service charges                                | <u>30.00</u>        | <u>-</u>          |
| Total                        |  | <u>\$127,860.45</u> | <u>\$9,227.05</u> |

5. Miscellaneous Expenditures

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

| <u>Payee</u>                       | <u>Description</u>                         | <u>2014</u>        | <u>2015</u>       |
|------------------------------------|--|--------------------|-------------------|
| General Fund/Financial Institution | Undocumented expenditures (Finding No. 1)  | \$ 7,270.73        | \$7,773.84        |
| Vendors                            | Expenditures for Turnback Project (Note 9) | 61,673.70          | -                 |
| Financial Institution              | Bank service charges                       | 30.00              | 106.67            |
| US Treasury                        | Nonpermissible expenditure (Finding No. 5) | <u>8,597.07</u>    | <u>-</u>          |
| Total                              |  | <u>\$77,571.50</u> | <u>\$7,880.51</u> |

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6. Lease-Purchase Agreement

On September 7, 2011, the municipality entered into a lease-purchase agreement with John Deere Financial to purchase a John Deere tractor and loader for \$41,687.11. The agreement was for a term of 60 months at an interest rate of 4.55 percent. Principal and interest payments of \$775.17 are due monthly. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$23,358.04 and \$3,765.16, respectively. Additionally, the municipality paid principal of \$3,425.34 and interest of \$450.51 from the General Fund.

During the current examination period the municipality paid principal of \$14,903.73, interest of \$600.67, and late fees of \$138.49 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2015 and 2016 Forms MS-965 - Section 1. The agreement was paid-in-full on September 29, 2016

7. Bank Loan

On June 24, 2014, the municipality borrowed \$22,208.26 from Hometown Bank to pay off several existing lines of credit. The term of the loan was for five years at an interest rate of 5.0 percent. Principal and interest payments of \$419.86 are due monthly. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$1,646.83 and \$452.47, respectively. Additionally, the municipality paid principal of \$327.33 and interest of \$92.53 from the General Fund.

During the current examination period, the municipality paid principal of \$7,160.13 and interest of \$1,429.48 from the Liquid Fuels Tax Fund. These amounts are reflected in Miscellaneous on the 2015 and 2016 Forms MS-965 - Section 1. Additionally, the municipality paid principal of \$1,480.96 and interest of \$198.48 from the General Fund. The outstanding balance of the loan as of December 31, 2016 was \$11,593.01, plus interest.

Because the loan was used to pay off several lines of credit for which we could not determine the purpose, the loan payments from the Liquid Fuels Tax Fund were nonpermissible expenditures (Finding No. 1).

8. Deposit In Error

On December 1, 2015, the Commonwealth of Pennsylvania electronically deposited \$1,456.45 into the Liquid Fuels Tax Fund in error. As of December 31, 2016, the \$1,456.45 remained in the Liquid Fuels Tax Fund. According to the municipal officials, the funds will remain in the Liquid Fuels Tax Fund.

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9. Turnback Grant

On March 17, 2015, the municipality deposited \$92,374.00 into the Liquid Fuels Tax Fund that was received from the Commonwealth of Pennsylvania for Turnback project agreement No. 097100. During 2015, the municipality paid Turnback expenditures totaling \$61,673.70 from the Liquid Fuels Tax Fund account. The unexpended balance of \$30,700.30 remained in the Liquid Fuels Account.

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

We cited the municipality for not maintaining documentation supporting expenditures for the period January 1, 2012 to December 31, 2014. Our current examination disclosed that the municipality did not maintain invoices to support an expenditure of \$1,440.00 and a transfer to the General Fund of \$2,000.00 during 2015. Also, during 2016 the township reimbursed the secretary for expenses of \$1,017.78, but did not provide an invoice for the reimbursement.

Additionally, the municipality expended \$5,230.73 in 2015 and \$3,486.70 in 2016 from the Liquid Fuels Tax Fund for monthly payments on a loan. The loan from Hometown Bank was used to pay off several existing lines of credit for which we could not determine the purpose. Because we could not determine the intent of the original lines of credit, the loan payments are not considered to be allowable expenditures from the Liquid Fuels Tax Fund (see Note 7).

Furthermore, the municipality expended \$40.00 in 2015 and \$3,269.36 in 2016 from the Liquid Fuels Tax Fund for monthly payments on a line of credit from Hometown Bank. Because we could not determine the intent of the line of credit, the payments are not considered to be allowable expenditures from the Liquid Fuels Tax Fund.

Finally, our examination disclosed that the municipality expended \$4,744.36 during 2016 from the Liquid Fuels Tax Fund for payroll. However, the municipality did not maintain daily payroll time sheets identifying the nature of work performed and the location of work assignments.

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

Additionally, good internal control procedures over payroll ensure that there is documentation identifying the nature of the work performed and location of work assignments.

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

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**Finding No. 1 - Documentation Supporting Expenditures Was Not Available For Examination - Recurring (Continued)**

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

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

The failure to maintain documentation to support expenditures could result in the municipality having to reimburse \$21,228.93 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$21,228.93 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

Management's Response

The secretary/treasurer stated:

I agree with auditor findings.

Auditor's Conclusion

This is a recurring finding. We strongly recommend that the municipality comply with our recommendations. During our next examination we will determine if the municipality complied with our recommendations.

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**Finding No. 2 - Duplicate Payment And Overpayment Of Invoices**

Our examination disclosed that the municipality paid the following invoice twice:

| <u>Invoice Number</u> | <u>First Check No.</u> | <u>First Date Paid</u> | <u>Second Check No.</u> | <u>Second Date Paid</u> | <u>Invoice Amount</u> |
|-----------------------|------------------------|------------------------|-------------------------|-------------------------|-----------------------|
| 1132063               | 5425                   | 02/24/2015             | 5440                    | 03/24/2015              | <u>\$414.29</u>       |

In addition our examination disclosed that the municipality made over payments of various invoices as follows:

| <u>Invoice Number</u> | <u>Check No.</u> | <u>Date Paid</u> | <u>Invoice(s) Total</u> | <u>Check Amount</u> | <u>Overpayment Amount</u> |
|-----------------------|------------------|------------------|-------------------------|---------------------|---------------------------|
| 6034894               | 5460             | 05/28/2015       | \$2,138.78              | \$ 3,795.12         | \$1,656.34                |
| 6156390               | 5503             | 09/24/2015       | 6,206.33                | 12,412.66           | 6,206.33                  |
| Various               | 5508             | 10/01/2015       | 4,703.32                | 4,928.20            | <u>224.88</u>             |
|                       |                  |                  |                         | Total               | <u><u>\$8,087.55</u></u>  |

The total of the duplicate payment and overpayments was \$8,501.84. We noted that during our examination period the municipality received various credit invoices totaling \$7,401.20. The outstanding balance due the Liquid Fuels Tax Fund as of December 31, 2016, was \$1,100.64.

Although this money should be reimbursed to the Liquid Fuels Tax Fund, the primary concern is the inadequate internal controls which enabled the duplicate payment and overpayments to occur and for the balance of \$1,100.64 to remain undetected.

Good internal controls ensure that all invoices are reviewed timely to avoid duplicate payments. The failure to follow this procedure increases the possibility that duplicate payments can be made on vendor invoices and go undetected for long periods of time.

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**Finding No. 2 - Duplicate Payment And Overpayment Of Invoices (Continued)**

Recommendations

We recommend that the municipality reimburse \$1,100.64 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation. We also recommend that the municipal officials contact the vendor as soon as possible to obtain reimbursement.

We further recommend that the municipality establish and implement internal controls to ensure vendor invoices are reviewed timely to avoid duplicate payments and overpayments.

Management's Response

The secretary/treasurer stated:

I agree with auditor findings.

Auditor's Conclusion

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

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**Finding No. 3 - Failure To Properly Prepare Forms MS-965 - Recurring**

We cited the municipality for failure to properly prepare Forms MS-965 for the period January 1, 2012 to December 31, 2014. Our examination disclosed that there were numerous errors made in the preparation of the municipality's 2015 and 2016 Forms MS-965. These errors resulted in the following adjustments:

2015 - Section 1

- An adjustment of \$(3,069.74) was made to "Major equipment purchases" because check No. 5447 was reported as \$790.67 but was issued for \$782.08 and miscellaneous expenditures of \$3,061.15 were misclassified.
- An adjustment of \$(455.16) was made to "Minor equipment purchases" because miscellaneous expenditures of \$419.86 were misclassified and these expenditures were over stated by \$35.30.
- An adjustment of \$(489.99) was made to "Repairs of tools and machinery" because these expenditures were overstated.
- An adjustment of \$(53,284.94) was made to "Maintenance and repair of roads and bridges" because check Nos. 5345 for \$1,228.50 and 5360 for \$1,050.00, which were issued in 2014, were incorrectly reported as expenditures in 2015 and check Nos. 5476 for \$1,765.05 and 5477 for \$9,040.00 were not reported as expenditures. Additionally, check No. 5458 was reported as \$228.15 but was issued for \$332.75 and check No. 5410 for \$242.39 was reported twice and miscellaneous expenditures of \$61,673.70 were misclassified.
- An adjustment of \$77,571.70 was made to "Miscellaneous" because expenditures of \$12,416.79 were not reported, expenditures of \$3,061.15 were misclassified as major equipment purchases, expenditures of \$419.86 were misclassified as minor equipment purchases, and expenditures of \$61,673.70 were misclassified as maintenance and repair.

2015 - Section 2

- An adjustment of \$(8,795.87) was made to "Balance, January 1, 2015" because an incorrect fund balance was reported.
- An adjustment of \$11.89 was made to "Interest on investments" because interest earned was not reported.

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**Finding No. 3 - Failure To Properly Prepare Forms MS-965 - Recurring (Continued)**

2015 - Section 2

- An adjustment of \$24,047.70 was made to “Miscellaneous” because reimbursements of \$29,000.00 from the General Fund, a deposit in error of \$1,456.45 (Note 9), and a refund for bank service charges of \$30.00 were not reported and these receipts were overstated by \$6,438.75.

2015 - Section 3

- An adjustment of \$(17,465.41) was made to “Prior year equipment balance” because an incorrect equipment balance was carried forward.
- An adjustment of \$(3,069.74) was made to “Major equipment expenditures” to reflect the adjustment made to major equipment purchases in 2015 - Section 1.

2016 - Section 1

- An adjustment of \$(9.00) was made to “Major equipment purchases” because check No. 5547 was reported as \$2,365.51 but was issued for \$2,356.51, expenditures of \$782.92 were misclassified as minor equipment purchases, and these expenditures were overstated by \$782.92.
- An adjustment of \$(12,729.89) was made to "Minor equipment purchases" because major equipment purchase of \$782.92, expenditures of \$5,000.00 for repairs of tools and machinery, and miscellaneous expenditures of \$5,916.34 were misclassified, expenditures of \$4,851.08 were misclassified as repairs of tools and machinery, and these expenditures were overstated by \$5,881.71.
- An adjustment of \$479.99 was made to “Computer/Computer related training” because expenditures were not reported.
- An adjustment of \$(3,283.17) was made to "Repairs of tools and machinery because expenditures of \$5,000.00 were misclassified as minor equipment purchases, minor equipment purchase expenditures of \$4,851.08 were misclassified, expenditures of \$1,567.91 were not reported, and these expenditures were overstated by \$5,000.00.

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**Finding No. 3 - Failure To Properly Prepare Forms MS-965 - Recurring (Continued)**

2016 - Section 1 (Continued)

- An adjustment of \$(155.02) was made to “Maintenance and repair of roads and bridges” because check No. 5536 for \$1,440.53 was voided but was included as an expenditure, check Nos. 5544 for \$410.00, 5562 for \$1,149.49 and 5563 for \$1,394.22 were not reported, and these expenditures were overstated by \$1,668.20.
- An adjustment of \$7,880.51 was made to “Miscellaneous” because expenditures of \$1,964.17 were not reported and expenditures of \$5,916.34 were misclassified as minor equipment purchases.

2016 - Section 2

- An adjustment of \$3,787.19 was made to “Balance, January 1, 2016” because an incorrect fund balance was reported.
- An adjustment of \$91.32 was made to “Interest on investments” because interest earnings were understated.
- An adjustment of \$(772.95) was made to “Miscellaneous” because these receipts were overstated.

2016 - Section 3

- An adjustment of \$3,787.19 was made to “Prior year equipment balance” because an incorrect equipment balance was carried forward.
- An adjustment of \$(9.00) was made to “Major equipment expenditures” to reflect the adjustment made to major equipment purchases in 2016 - Section 1.

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**Finding No. 3 - Failure To Properly Prepare Forms MS-965 - Recurring (Continued)**

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

Recommendation

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

Management's Response

The secretary/treasurer stated:

I agree with auditor findings.

Auditor's Conclusion

This is a recurring finding. We strongly recommend that the municipality comply with our recommendation. During our next examination we will determine if the municipality complied with our recommendation.

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 BEDFORD COUNTY  
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**Finding No. 4 - Noncompliance With Advertising And Bidding Requirements**

Our examination disclosed that the township expended \$51,947.40 during 2015 from the Liquid Fuels Tax Fund for the purchase of driving surface aggregate without advertising for bids. These expenditures were as follows:

| <u>Invoice Number</u> | <u>Invoice Date</u> | <u>Check Number</u> | <u>Check Date</u> | <u>Amount</u> |
|-----------------------|---------------------|---------------------|-------------------|---------------|
| 6154368               | 08/20/2015          | 5503                | 09/24/2015        | \$ 2,340.50   |
| 6155421               | 08/22/2015          | 5503                | 09/24/2015        | 5,456.63      |
| 6156390               | 08/24/2015          | 5503                | 09/24/2015        | 6,206.33      |
| 6157921               | 08/25/2015          | 5503                | 09/24/2015        | 7,286.73      |
| 6159105               | 08/26/2015          | 5503                | 09/24/2015        | 4,574.85      |
| 1739                  | 09/02/2015          | 5502                | 09/24/2015        | 26,082.36     |
| Total                 |                     |                     |                   | \$51,947.40   |

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 \$19,400.00 for 2015 and 2016. *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.

On November 12, 2015, the township reimbursed \$20,000.00 to the Liquid Fuels Tax Fund.

The failure to comply with *The Second Class Township Code* could result in the township having to reimburse \$31,947.40 to its Liquid Fuels Tax Fund.

**Recommendations**

We recommend that the township reimburse \$31,947.40 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.

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**Finding No. 4 - Noncompliance With Advertising And Bidding Requirements (Continued)**

Management's Response

The secretary/treasurer stated:

I agree with auditor findings.

Auditor's Conclusion

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

TOWNSHIP OF MANN  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
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**Finding No. 5 - Nonpermissible Expenditures**

Our examination disclosed that the municipality expended \$1,992.00 for various types of insurance and \$8,597.07 for the payment of back payroll taxes during 2015 from the Liquid Fuels Tax Fund, which are nonpermissible expenditures.

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

The Department of Transportation has been statutorily authorized to promulgate regulations concerning the administration of Liquid Fuels Tax Fund money and has determined that certain items, including insurance and back payroll taxes, are outside the scope of permissible expenditures.

The failure to follow the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations as noted above could result in the municipality having to reimburse \$10,589.07 to its Liquid Fuels Tax Fund.

**Recommendations**

We recommend that the municipality reimburse \$10,589.07 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

**Management's Response**

The secretary/treasurer stated:

I agree with auditor findings.

TOWNSHIP OF MANN  
BEDFORD COUNTY  
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**Finding No. 5 - Nonpermissible Expenditures (Continued)**

Auditor's Conclusion

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

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**Finding No. 6 - Retroactive Expenditures**

Our examination disclosed that the municipality expended \$1,921.95 on February 26, 2015 for expenditures of \$1,777.50 incurred on June 18, 2014 and \$144.45 incurred August 20, 2014, which are retroactive expenditures.

The Department of Transportation's *Publication 9* contains the policies and procedures for the administration of the Liquid Fuels Tax Fund. *Publication 9*, Chapter Two, Section 2.7.2, states, in relevant part:

Examples of what Liquid Fuels Tax Fund monies may not be expended for are:

16. Retroactive expenditures or repayment of other funds for prior period expenditures.

Because these expenditures were incurred on June 18, 2014 and August 20, 2014 and were not paid until February 26, 2015, the expenditures incurred were not paid in a reasonable period of time. Therefore, the municipality did not comply with the Department of Transportation's *Publication 9*.

The failure to follow the Department of Transportation's *Publication 9* as noted above could result in the municipality having to reimburse \$1,921.95 to its Liquid Fuels Tax Fund.

**Recommendations**

We recommend that the municipality reimburse \$1,921.95 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the municipality complies with the Department of Transportation's *Publication 9* as noted above.

TOWNSHIP OF MANN  
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**Finding No. 6 - Retroactive Expenditures (Continued)**

Management's Response

The secretary/treasurer stated:

I agree with auditor findings.

Auditor's Conclusion

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

TOWNSHIP OF MANN  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
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**Finding No. 7 - Idle Funds Held In A Noninterest-Bearing Account - Recurring**

We cited the municipality for holding idle funds in a noninterest-bearing account in our prior examination for the period January 1, 2012 to December 31, 2014. Our examination disclosed that liquid fuels tax money in excess of current needs was deposited in a noninterest-bearing checking account from January 1, 2015 to December 31, 2016 with an average balance of \$67,906.77.

The Department of Transportation's *Publication 9*, Chapter Two, Section 2.6.1, states:

All monies in the Liquid Fuels Tax Fund account should be invested to earn interest until expended.

*The Second Class Township Code*, Section 3204, as published by the Local Government Commission, lists the types of permissible investments for township funds. If the township had invested the liquid fuels tax funds in interest-bearing accounts, certificates of deposit, or other investments permitted by *The Second Class Township Code*, additional money would have been earned for road maintenance and repairs.

Recommendation

We again recommend that the township officials comply with the Department of Transportation's *Publication 9* by reassessing their fiscal policy and consider investing money in excess of current needs in investments outlined in *The Second Class Township Code* as published by the Local Government Commission.

Management's Response

The secretary/treasurer stated:

I agree with auditor findings.

Auditor's Conclusion

This is a recurring finding. We strongly recommend that the municipality comply with our recommendation. During our next examination we will determine if the municipality complied with our recommendation.

TOWNSHIP OF MANN  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
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**Finding No. 8 - Late Receipt Of Allocation**

Our examination disclosed that the 2015 Liquid Fuels Tax Fund allocation of \$122,943.49, which should have been distributed from the Department of Transportation to the municipality during the first week of March of that year, was not received until May 29, 2015, 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.

Because the municipality failed to file documents and information timely as noted above, the municipality did not have use of the 2015 allocation for almost three months. 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.

We noted that the 2016 allocation was received timely.

**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.

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**Finding No. 8 - Late Receipt Of Allocation (Continued)**

Management's Response

The secretary/treasurer stated:

I agree with auditor findings.

Auditor's Conclusion

During our next examination we will determine if the municipality continued to comply with our recommendation.

TOWNSHIP OF MANN  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF PRIOR EXAMINATIONS' RECOMMENDATIONS  
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Summary Of 2007-2009 Examination Recommendations

In our 2007-2009 report we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$97,998.99 to its Liquid Fuels Tax Fund. This amount consists of \$57,649.58 for failing to maintain documentation to support expenditures, \$30,252.47 for failing to maintain documentation for price quotations, and \$10,096.94 for over expending its equipment purchase tally.

During our 2012-2014 examination, we reviewed a letter dated July 6, 2014, from the Department of Transportation informing the municipality to reimburse \$40,349.00 of the \$97,998.99 to its Liquid Fuels Tax Fund. In our 2010-2011 examination, we noted that on June 2, 2010 and October 12, 2010, the municipality reimbursed \$2,548.48 and \$1,274.25, respectively to its Liquid Fuels Tax Fund. In addition, we noted that on September 6, 2012, the municipality reimbursed \$1,274.23 to its Liquid Fuels Tax Fund. The balance due the Liquid Fuels Tax Fund as of December 31, 2014 was \$35,252.45. The Department of Transportation combined the \$35,252.45 with the reimbursement request in the 2010-2011 examination (see Summary of 2010-2011 Examination Recommendations).

Summary Of 2010-2011 Examination Recommendations

During our 2010-2011 examination we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$34,280.00 to its Liquid Fuels Tax Fund. This amount consists of \$19,280.00 for failing to advertise for bids and \$15,000.00 for over expending liquid fuels money on projects.

During our 2012-2014 examination we reviewed a letter dated January 6, 2014, from the Department of Transportation informing the municipality to reimburse \$34,280.00 to its Liquid Fuels Tax Fund. The Department of Transportation combined the 2007-2009 balance of its reimbursement request of \$35,252.45 with the 2010-2011 reimbursement request of \$34,280.00, leaving a balance of \$69,532.45 to be reimbursed to the Liquid Fuels Tax Fund. The municipality agreed to reimburse the \$69,532.45 to its Liquid Fuels Tax Fund in quarterly installments of \$2,500.00 beginning December 31, 2013. Reimbursements to the municipality's Liquid Fuels Tax Fund through December 31, 2016, were as follows:

TOWNSHIP OF MANN  
 BEDFORD COUNTY  
 LIQUID FUELS TAX FUND  
 SUMMARY OF PRIOR EXAMINATIONS' RECOMMENDATIONS  
 FOR THE PERIOD  
 JANUARY 1, 2015 TO DECEMBER 31, 2016

Summary Of 2010-2011 Examination Recommendations (Continued)

| <u>Date</u> | <u>Amount</u>      |
|-------------|--------------------|
| 09/25/12    | \$ 1,207.37        |
| 03/27/14    | 5,000.00           |
| 04/30/15    | 5,000.00           |
| 09/03/15    | 4,000.00           |
| 12/10/15    | 5,000.00           |
| 01/26/16    | 5,000.00           |
| 01/29/16    | 3,227.05           |
| 11/01/16    | <u>1,000.00</u>    |
| Total       | <u>\$29,434.42</u> |

As of December 31, 2016, \$40,098.03 was due the municipality's Liquid Fuels Tax Fund.

Summary Of 2012-2014 Examination Recommendations

In our 2012-2014 report we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$23,383.75 to its Liquid Fuels Tax Fund for failing to maintain documentation to support expenditures.

During our current examination we reviewed a letter dated June 2, 2016, from the Department of Transportation informing the municipality to reimburse \$23,383.95 to its Liquid Fuels Tax Fund. As of the exit conference date of this examination of November 30, 2017, the municipality had not reimbursed this amount to its Liquid Fuels Tax Fund.

In our 2012-2014 report we also recommended that the municipality:

- Ensure good internal control over expenditures by maintaining adequate documentation to support all expenditures.
- Ensure that its Forms MS-965 are complete and accurate.
- Comply with Commonwealth of Pennsylvania Management Directive 210.11 by obtaining images of both the front and back of canceled checks from its financial institution.

TOWNSHIP OF MANN  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF PRIOR EXAMINATIONS' RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2016

Summary Of 2012-2014 Examination Recommendations (Continued)

- Comply with the Department of Transportation's *Publication 9* by reassessing their fiscal policy and consider investing money in excess of current needs in investments outlined in *The Second Class Township Code*.

During our current examination, we noted that the municipality complied with our third bulleted recommendation, but did not comply with our first, second and fourth bulleted recommendations (see Findings Nos. 1, 3 and 7).

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

An exit conference was held November 30, 2017. Those participating were:

TOWNSHIP OF MANN

Ms. Melissa Singleton, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Michele Garman, CFE, Audit Supervisor

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

TOWNSHIP OF MANN  
BEDFORD 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 Mann**  
Bedford County  
1410 Mountain Road  
Artemas, PA 17211

**The Honorable Ty Jay**  
Chairman of the Board of Supervisors

**Ms. Melissa Singleton**  
Secretary/Treasurer

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