



TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
03-203

LIQUID FUELS TAX FUND
EXAMINATION REPORT

FOR THE THREE YEARS ENDED
DECEMBER 31, 2007

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TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE THREE YEARS ENDED
DECEMBER 31, 2007

Background

The Liquid Fuels Tax Municipal Allocation Law, Title 72 P.S. § 2615.5, 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 Liquid Fuels Tax Fund money and annual maintenance payments that it receives into a special fund called 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 this 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. To qualify for its annual allocation, each municipality shall submit the following documents and information to the Department of Transportation:

1. Evidence that the treasurer is bonded in accordance with the law, or that its treasurer is a bank requiring no bond by January 31 of each year.
2. A report indicating the manner in which its liquid fuels tax allocation was expended in the previous year (Form MS-965) by January 31 of each year.
3. A report of elected and appointed officials by January 31 of each year.
4. A Survey of Financial Condition by March 15 of each year.

Department of Transportation *Publication 9* contains the policies and procedures that govern the use of Liquid Fuels Tax Fund money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.



Independent Auditor's Report

The Honorable Allen D. Biehler, 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 Township of Bradys Bend, Armstrong County, for the three years ended December 31, 2007. The municipality's management is responsible for the Forms MS-965. 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. An examination includes examining, on a test basis, evidence supporting the Township of Bradys Bend, Armstrong County's Forms MS-965 for the three years ended December 31, 2007 and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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

As described in Note 4, the adjustments included on the Forms MS-965 With Adjustments are made by the Department of the Auditor General.

Independent Auditor's Report (Continued)

As discussed in Finding No. 1, during 2005 the municipality expended \$27,857.16 from its Liquid Fuels Tax Fund without maintaining documentation to support these expenditures. Additionally, as discussed in Finding No. 2, the municipality used the Liquid Fuels Tax Fund account to purchase \$6,770.55 in 2006 and \$8,894.07 in 2007 of fuel in bulk quantities. However records of dispensation for these expenditures were not maintained. Furthermore, as discussed in Finding No. 4, the municipality expended \$12,094.44 on March 6, 2006, from its Liquid Fuels Tax Fund for the purchase of 7,563.00 gallons of MC-70 road oil without advertising for bids.

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 Township of Bradys Bend, Armstrong County, for the three years ended December 31, 2007, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Forms MS-965 and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Bradys Bend, Armstrong County's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria such that there is more than a remote likelihood that a misstatement of the Township of Bradys Bend, Armstrong County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Township of Bradys Bend, Armstrong County's internal control. We consider the deficiencies described in the findings below to be significant deficiencies in internal control over reporting on the Forms MS-965:

Independent Auditor's Report (Continued)

- Documentation Supporting Expenditures Was Not Available For Examination.
- Fuel Dispensation Records Not Maintained.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the Forms MS-965 will not be prevented or detected by the Township of Bradys Bend, Armstrong County's internal control. Our consideration of the internal control over reporting on the Forms MS-965 would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider all of the significant deficiencies described above to be material weaknesses.

The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*:

- Late Receipt Of Allocations.
- Purchase Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements.
- A Complete Record Of Township Meeting Minutes Was Not Available For Examination.

We are concerned in light of the municipality's failure to correct a previous reported finding for the late receipt of allocations. During our current examination, we noted that the municipality did not maintain documentation to support expenditures, did not maintain fuel dispensation records, did not have the meeting minutes available for review, received its Liquid Fuels Tax Fund allocations late, and made a purchase over \$10,000.00 in noncompliance with advertising and bidding requirements. They municipality should strive to implement the recommendations and corrective actions noted in this report.

Independent Auditor's Report (Continued)

This report is intended solely for the information and use of the Pennsylvania Department of Transportation and the management of the Township of Bradys Bend, Armstrong County, and is not intended to be and should not be used by anyone other than these specified parties.

January 23, 2009

JACK WAGNER
Auditor General

TOWNSHIP OF BRADYS BEND
 ARMSTRONG COUNTY
 LIQUID FUELS TAX FUND
 2005 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	1,536.64	-	1,536.64
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	4,951.01	-	4,951.01
Maintenance and repair of roads and bridges	21,369.51	-	21,369.51
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 27,857.16</u>	 <u>\$ -</u>	 <u>\$ 27,857.16</u>

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

TOWNSHIP OF BRADYS BEND
 ARMSTRONG COUNTY
 LIQUID FUELS TAX FUND
 2005 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, 2005	\$ 38,153.26	\$ -	\$ 38,153.26
Receipts:			
2. State allocation	35,493.43	-	35,493.43
2a. Turnback allocation	27,525.00	-	27,525.00
2b. Interest on investments (Note 3)	1,928.87	-	1,928.87
2c. Miscellaneous	-	-	-
3. Total receipts	<u>64,947.30</u>	<u>-</u>	<u>64,947.30</u>
4. Total funds available	<u>103,100.56</u>	<u>-</u>	<u>103,100.56</u>
5. Expenditures (Section 1)	<u>27,857.16</u>	<u>-</u>	<u>27,857.16</u>
6. Balance, December 31, 2005	<u><u>\$ 75,243.40</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 75,243.40</u></u>

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

TOWNSHIP OF BRADYS BEND
 ARMSTRONG COUNTY
 LIQUID FUELS TAX FUND
 2005 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	\$ 38,153.26	\$ -	\$ 38,153.26
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	12,603.69	-	12,603.69
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	50,756.95	-	50,756.95
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>50,756.95</u>	<u>-</u>	<u>50,756.95</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 50,756.95</u>	<u>\$ -</u>	<u>\$ 50,756.95</u>

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

TOWNSHIP OF BRADYS BEND
 ARMSTRONG COUNTY
 LIQUID FUELS TAX FUND
 2006 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 3,500.00	\$ (3,500.00)	\$ -
Minor equipment purchases		3,500.00	3,500.00
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	7,293.55	-	7,293.55
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	2,984.94	-	2,984.94
Maintenance and repair of roads and bridges	15,247.61	-	15,247.61
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 29,026.10</u>	 <u>\$ -</u>	 <u>\$ 29,026.10</u>

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

TOWNSHIP OF BRADYS BEND
 ARMSTRONG COUNTY
 LIQUID FUELS TAX FUND
 2006 FORM MS-965 – SECTION 2
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2006	\$ 75,243.40	\$ -	\$ 75,243.40
Receipts:			
2. State allocation (Finding No. 3)	38,765.26	(38,765.26)	-
2a. Turnback allocation	27,525.00	-	27,525.00
2b. Interest on investments (Note 3)	3,873.95	-	3,873.95
2c. Miscellaneous (Comment No. 1)	4,881.39	-	4,881.39
3. Total receipts	<u>75,045.60</u>	<u>(38,765.26)</u>	<u>36,280.34</u>
4. Total funds available	<u>150,289.00</u>	<u>(38,765.26)</u>	<u>111,523.74</u>
5. Expenditures (Section 1)	<u>29,026.10</u>	<u>-</u>	<u>29,026.10</u>
6. Balance, December 31, 2006	<u>\$ 121,262.90</u>	<u>\$ (38,765.26)</u>	<u>\$ 82,497.64</u>

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

TOWNSHIP OF BRADYS BEND
 ARMSTRONG COUNTY
 LIQUID FUELS TAX FUND
 2006 FORM MS-965 – SECTION 3
 WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 50,756.95	\$ -	\$ 50,756.95
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	13,258.05	(7,753.05)	5,505.00
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	64,015.00	(7,753.05)	56,261.95
5. Less: Major equipment expenditures	<u>3,500.00</u>	<u>(3,500.00)</u>	<u>-</u>
6. Remainder	<u>60,515.00</u>	<u>(4,253.05)</u>	<u>56,261.95</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 60,515.00</u>	<u>\$ (4,253.05)</u>	<u>\$ 56,261.95</u>

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

TOWNSHIP OF BRADYS BEND
 ARMSTRONG COUNTY
 LIQUID FUELS TAX FUND
 2007 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 7,000.00	\$ -	\$ 7,000.00
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	11,276.77	-	11,276.77
Maintenance and repair of roads and bridges	16,051.62	-	16,051.62
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 34,328.39</u>	 <u>\$ -</u>	 <u>\$ 34,328.39</u>

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

TOWNSHIP OF BRADYS BEND
 ARMSTRONG COUNTY
 LIQUID FUELS TAX FUND
 2007 FORM MS-965 – SECTION 2
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2007	\$ 121,262.90	\$ (38,765.26)	\$ 82,497.64
Receipts:			
2. State allocation (Finding No. 3)	-	38,765.26	38,765.26
2a. Turnback allocation	44,040.00	-	44,040.00
2b. Interest on investments (Note 3)	5,800.46	-	5,800.46
2c. Miscellaneous	-	-	-
3. Total receipts	<u>49,840.46</u>	<u>38,765.26</u>	<u>88,605.72</u>
4. Total funds available	<u>171,103.36</u>	<u>-</u>	<u>171,103.36</u>
5. Expenditures (Section 1)	<u>34,328.39</u>	<u>-</u>	<u>34,328.39</u>
6. Balance, December 31, 2007	<u><u>\$ 136,774.97</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 136,774.97</u></u>

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

TOWNSHIP OF BRADYS BEND
 ARMSTRONG COUNTY
 LIQUID FUELS TAX FUND
 2007 FORM MS-965 – SECTION 3
 WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 60,515.00	\$ (4,253.05)	\$ 56,261.95
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	8,808.00	7,753.05	16,561.05
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	69,323.00	3,500.00	72,823.00
5. Less: Major equipment expenditures	7,000.00	-	7,000.00
6. Remainder	<u>62,323.00</u>	<u>3,500.00</u>	<u>65,823.00</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 62,323.00</u>	<u>\$ 3,500.00</u>	<u>\$ 65,823.00</u>

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

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE THREE YEARS ENDED
DECEMBER 31, 2007

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 that cost in excess of \$4,000.00.
- Minor equipment purchases are purchases of road machinery and road equipment that cost \$4,000.00 or less.
- 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 generally received from the Department of Transportation during the first week in April of each year. The amount the municipality receives is based half on its population and half on its road mileage.
- The turnback allocation is generally received from the Department of Transportation during the first week in April of each year. A municipality receives a yearly turnback allocation based on road mileage for all roads that were transferred to the municipality from the Commonwealth of Pennsylvania through the Highway Transfer Program.
- 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.

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE THREE YEARS ENDED
DECEMBER 31, 2007

1. Criteria (Continued)

Section 3 (Continued)

Department of Transportation *Publication 9* requires that the amount expended for equipment purchases in a given year not exceed the sum of the equipment balance carried forward from the previous year and 20 percent of the current year's Liquid Fuels Tax Fund allocation and, if applicable, 20 percent of the turnback allocation plus other Department of Transportation approved adjustments.

If the municipality spent in excess of the amount listed on Line 4, the excess must be reimbursed to the Liquid Fuels Tax Fund.

The equipment balance to be carried forward for the subsequent year is the lesser of the amount on Line 6 or the ending fund balance on Line 6 of Section 2, but not less than zero.

Basis Of Presentation

The financial activities of the municipality are accounted for in separate funds. The Liquid Fuels Tax Fund is used to account for state aid revenues from the Pennsylvania Department of Transportation used primarily for building and improving local roads and bridges. The Forms MS-965 have been prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation as a result of the Fuels Tax Act 655, dated 1956 and as amended, which does not constitute a complete presentation of the entity's assets, liabilities, expenses, and fund balance. Accordingly, the presentation of Forms MS-965 With Adjustments is restricted to the Liquid Fuels Tax Fund, which represents a segment of the entity.

Basis Of Accounting

The accompanying Forms MS-965 With Adjustments are prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation. Under this method, revenues are recognized when received and expenditures are recorded when paid.

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE THREE YEARS ENDED
DECEMBER 31, 2007

1. Criteria (Continued)

General Fixed Assets

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

2. Deposits

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

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

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

There were no deposits exposed to custodial credit risk as of December 31, 2007. Custodial credit risk, as defined by GASB No. 40, 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.

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE THREE YEARS ENDED
DECEMBER 31, 2007

2. Deposits (Continued)

Fund Balance

The fund balance as of December 31, 2007 consists of the following:

Cash	<u>\$136,774.97</u>
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3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in an interest-bearing account which earned \$1,928.87 during 2005, \$3,873.95 during 2006, and \$5,800.46 during 2007, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2006 - Section 1

Adjustments were made to “Major equipment purchases” and “Minor equipment purchases” because expenditures of \$3,500.00 were misclassified.

2006 - Section 2

An adjustment of \$(38,765.26) was made to “State allocation” because the municipality reported that it received its 2006 state allocation during 2006, but did not receive it until 2007.

2006 - Section 3

An adjustment of \$(7,753.05) was made to “Current year equipment allocation” because the state allocation from 2006 - Section 2, which was used to calculate this figure, was not received until 2007.

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE THREE YEARS ENDED
DECEMBER 31, 2007

4. Adjustments (Continued)

2006 - Section 3

An adjustment of \$(3,500.00) was made to “Major equipment expenditures” to reflect the adjustment made to major equipment purchases in 2006 – Section 1.

2007 - Section 2

An adjustment of \$(38,765.26) was made to “Balance, January 1, 2007” to reflect the adjustment made in 2006 – Section 2.

An adjustment of \$38,765.26 was made to “State allocation” because the municipality reported that it received its 2006 allocation during 2006, but did not receive it until 2007.

2007 - Section 3

An adjustment of \$(4,253.05) was made to “Prior year equipment balance” to reflect the adjustments made in 2006 - Section 3.

An adjustment of \$7,753.05 was made to “Current year equipment allocation” because the 2006 state allocation that was received in 2007 should have been included in this calculation.

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE THREE YEARS ENDED
DECEMBER 31, 2007

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

Our examination disclosed that during 2005 the municipality expended \$27,857.16 from its Liquid Fuels Tax Fund. However, the municipality did not maintain invoices for nonpayroll disbursements or time sheets describing work being performed and the amount of time required to complete each task for payroll disbursements.

Good internal control procedures ensure that there is documentation to support all 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 expenditures made without supporting documentation, are outside the scope of permissible expenditures.

Without adequate documentation, we could not determine if the 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 \$27,857.16 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$27,857.16 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE THREE YEARS ENDED
DECEMBER 31, 2007

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

Management's Response

The secretary/treasurer stated:

We agree with the report. We are requesting that PENNDOT waive the questioned costs. Paying these would create an extreme and undue hardship for the Township. Corrective steps have been taken by the Township to prevent future discrepancies.

Auditor's Conclusion

The Department of Transportation will determine if the municipality is required to reimburse \$27,857.16 to its Liquid Fuels Tax Fund.

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE THREE YEARS ENDED
DECEMBER 31, 2007

Finding No. 2 - Fuel Dispensation Records Not Maintained

Our examination disclosed that the municipality used the Liquid Fuels Tax Fund account to purchase \$15,664.62 of fuel in bulk quantities. However, records for the dispensation of these fuel purchases were not maintained. Total fuel purchases per year were as follows:

<u>Year</u>	<u>Amount</u>
2006	\$ 6,770.55
2007	<u>8,894.07</u>
Total	<u>\$15,664.62</u>

To ensure good internal control of fuel purchases and usage, the municipality should maintain records listing the following information:

- Date.
- Number of gallons pumped.
- License number or identity of the vehicle.
- Intended use.
- Signature of the operator.

Without fuel dispensation records, there is no record that fuel was used for purposes permitted by the Liquid Fuels Tax Municipal Allocation Law. As a result, we could not determine if the expenditures made from the Liquid Fuels Tax Fund to purchase the fuel were permissible.

Recommendations

We recommend that the municipality reimburse \$15,664.62 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the municipality prepare detailed fuel usage reports to ensure good internal controls over fuel purchases and usage.

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
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Finding No. 2 - Fuel Dispensation Records Not Maintained (Continued)

Management's Response

The secretary/treasurer stated:

We agree with the report. We are requesting that PENNDOT waive the questioned costs. Paying these would create an extreme and undue hardship for the township. Corrective steps have been taken by the township to prevent future discrepancies.

Auditor's Conclusion

The Department of Transportation will determine if the municipality is required to reimburse \$15,664.62 to its Liquid Fuels Tax Fund.

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
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Finding No. 3 - Late Receipt Of Allocations

Our examination disclosed that the Liquid Fuels Tax Fund allocations of \$35,493.43 for 2005, \$38,765.26 for 2006, and \$40,091.09 for 2007 which should have been distributed during the first week of April of each year, were received on June 10, 2005, April 10, 2007, and September 3, 2008, respectively, because the municipality failed to comply with the Department of Transportation's Regulation 449.12, which requires the timely filing of particular documents and information, among them:

- Evidence that its treasurer is bonded in accordance with the law or that its treasurer is a bank requiring no bond.
- A report indicating the manner in which its Liquid Fuels Tax Fund was expended in the preceding year.
- Survey of financial condition.
- Roster of municipal officials.

Because the municipality failed to file documents and information timely as noted above, the municipality did not have use of the allocation for more than two months in 2005, more than 12 months in 2006, and for 17 months in 2007. 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.

Recommendation

We again recommend that, in the future, the municipality comply with the Department of Transportation's Regulation 449.12 to ensure that the allocations are received during the first week in April as outlined above.

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
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Finding No. 3 - Late Receipt Of Allocations (Continued)

Management's Response

The secretary/treasurer stated:

Corrective steps have been taken by the Township to prevent future discrepancies.

Auditor's Conclusion

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

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
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Finding No. 4 - Purchase Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements

Our examination disclosed that the township expended \$12,094.44 on March 6, 2006 from the Liquid Fuels Tax Fund for the purchase of 7,563.00 Gallons of MC-70 road oil without advertising for bids.

The above purchase was 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 \$10,000.00 must be advertised, bid, and awarded by contract. *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.

In addition, the above purchase was not made in compliance with the Department of Transportation's *Publication 9*, Appendix D, Section 449.7(d), which states, in part:

Each municipality shall make an annual estimate of its requirements of road construction and maintenance materials, and shall advertise for bids on all items and groups of like items ordinarily supplied by a single supplier . . . which are estimated to exceed \$10,000 for the year If the cost during the year of an unadvertised item or group of like items ordinarily supplied by a single supplier exceeds \$10,000 . . . the entire cost shall be ineligible for payment from the Liquid Fuels Tax Fund unless it can be shown to the satisfaction of the Secretary [of the Department of Transportation] that it was reasonably believed that the cost of the year's requirements of that item or group of like items would not exceed \$10,000 . . .

The failure to comply with *The Second Class Township Code* and the Department of Transportation's *Publication 9* could result in the township having to reimburse \$12,094.44 to its Liquid Fuels Tax Fund.

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
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FOR THE THREE YEARS ENDED
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Finding No. 4 - Purchase Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements (Continued)

Recommendations

We recommend that the township reimburse \$12,094.44 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the township comply with *The Second Class Township Code* and the Department of Transportation's *Publication 9* as noted in this finding.

Management's Response

The secretary/treasurer stated:

We agree with the report. We are requesting that PennDot waive the questioned costs. Paying these would create an extreme and undue hardship for the Township. Corrective steps have been taken by the Township to prevent future discrepancies.

Auditor's Conclusion

The Department of Transportation will determine if the municipality is required to reimburse \$12,094.44 to its Liquid Fuels Tax Fund.

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
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Finding No. 5 - A Complete Record Of Township Meeting Minutes Was Not Available For Examination

Our examination disclosed that the minutes reflecting the meetings of the township were not available at the audit site. The municipal officials informed us that the meeting minutes were in the custody of the secretary/treasurer and had not been transcribed and were not available for review.

The Second Class Township Code, 53 P.S. § 65605, states:

The board of supervisors shall provide for the recording of minutes of its proceedings and other books it may find necessary in the performance of its duties. The records shall be made available to the board of auditors during the annual audit. Unless the custodian of the records agrees otherwise, the records shall be audited or inspected at the place where they are normally maintained. Supervisors who leave office shall deliver all township records in their possession to their successors or to the township secretary.

All township records required to be recorded or transcribed are valid if typewritten, printed, photostated or microfilmed, and, where recording in a specified book of record is required, including minutes of the proceedings of the board of supervisors, the records may be recorded or transcribed in a mechanical post binder book capable of being permanently sealed, with consecutively numbered pages with a security code printed thereon and a permanent locking device with the township seal being impressed upon each page, or bound book of record by stapling or by glue or any other adhesive substance or material, and all records previously recorded or transcribed in any manner authorized by this section are validated. When any record is recorded or transcribed by attaching the record or a copy of it to the book or record, the township seal shall be impressed upon each page to which the record is attached, each impression covering both a portion of the attached record and portion of the page of the book of record to which the record is attached.

The primary purpose of the minutes is to provide an official record of township supervisor's meetings. Without a complete record of readable minutes, we were unable to determine if there were any references to the road projects or if any additional information would have had an impact on the propriety of liquid fuels expenditures. Additionally, we were unable to determine if litigation or related party transactions were noted.

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE THREE YEARS ENDED
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Finding No. 5 - A Complete Record Of Township Meeting Minutes Was Not Available For
Examination (Continued)

Recommendation

We recommend that, in the future, transcribed minutes for township meetings be available for public review within a reasonable period of time after each meeting.

Management's Response

The secretary/treasurer stated:

Corrective steps have been taken by the township to prevent future discrepancies.

Auditor's Conclusion

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

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
COMMENTS
FOR THE THREE YEARS ENDED
DECEMBER 31, 2007

Comment No. 1 - Summary Of 2003 Audit Recommendation

In our 2003 report we recommended that the Department of Transportation review our audit finding to determine if the municipality should reimburse \$4,881.39 to its Liquid Fuels Tax Fund for failing to maintain documentation for price quotations.

During our current examination we reviewed a letter dated January 6, 2006 from the Department of Transportation informing the municipality to reimburse \$4,881.39 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on September 14, 2006.

Comment No. 2 - Summary Of 2004 Audit Recommendations

In our 2004 report we recommended that the Department of Transportation review our audit finding to determine if the municipality should reimburse \$5,496.48 to its Liquid Fuels Tax Fund for failing to maintain documentation for price quotations.

During our current examination we reviewed a letter dated May 4, 2007, from the Department of Transportation informing the municipality to reimburse \$5,496.48 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on March 17, 2008, which was subsequent to our examination period.

In our 2004 report we also recommended:

- That the municipality comply with *The Second Class Township Code* and the Department of Transportation's *Publication 9* by maintaining documentation for price quotations for all purchases between \$4,000.00 and \$10,000.00.
- That the municipality deposit all allocations immediately upon receipt.

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

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE THREE YEARS ENDED
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An exit conference was held January 23, 2009. Those participating were:

TOWNSHIP OF BRADYS BEND

Mr. Chris R. Henderson, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Robert D. Conterno, Auditor

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

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE THREE YEARS ENDED
DECEMBER 31, 2007

This report was initially distributed to:

The Honorable Allen D. Biehler, P.E.
Secretary
Department of Transportation

Township of Bradys Bend
Armstrong County
794 State Route 68
East Brady, PA 16028

The Honorable James Curran

Chairman of the Board of Supervisors

Mr. Chris R. Henderson

Secretary/Treasurer

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. To view this report online or to contact the Department of the Auditor General, please access our web site at www.auditorgen.state.pa.us.