

# ATTESTATION ENGAGEMENT

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## Township of Bradys Bend

Armstrong County, Pennsylvania

03-203

Liquid Fuels Tax Fund

For the Period

January 1, 2019 to December 31, 2020

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September 2021



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General

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TIMOTHY L. DEFOOR  
AUDITOR GENERAL

### Independent Auditor's Report

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

We examined the accompanying Forms MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Township of Bradys Bend, Armstrong County, for the period January 1, 2019 to December 31, 2020. The municipality's management is responsible for presenting the Forms MS-965 in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*. Our responsibility is to express an opinion on the Forms MS-965 With Adjustments based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Forms MS-965 are presented in accordance with the criteria described above, in all material respects. An examination involves performing procedures to obtain evidence about the Forms MS-965. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the Forms MS-965, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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*.

## Independent Auditor's Report (Continued)

As described in the Auditor Description Of Select Transactions section of this report, the adjustments included on the Forms MS-965 With Adjustments are made by the Department of the Auditor General.

As discussed in Findings And Recommendations section of this report:

- The township made a duplicate payment of an invoice in the amount of \$1,249.06 during 2020 from its Liquid Fuels Tax Fund (see Finding No. 1).
- The municipality expended \$3,566.57 during 2019 and \$5,275.00 during 2020 from its Liquid Fuels Tax Fund for nonpermissible expenditures. (See Finding No. 2)
- The township over expended its 2020 equipment purchase tally by \$2,448.92 (see Finding No. 3).

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 Bradys Bend, Armstrong County, for the period January 1, 2019 to December 31, 2020, in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*.

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Forms MS-965 will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Independent Auditor's Report (Continued)

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. We did identify a certain deficiency in internal control, described in the findings listed below, that we consider to be a material weakness in internal control:

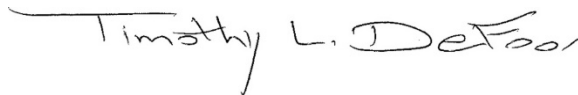
- Duplicate Payment Of Invoice.

As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Township of Bradys Bend, Armstrong 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*:

- Nonpermissible Expenditures.
- Over Expended Equipment Purchase Tally.

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 Bradys Bend, Armstrong County, to us during the course of our examination. If you have any questions, please feel free to contact the Bureau of County Audits at 717-787-1363.



September 3, 2021

Timothy L. DeFoor  
Auditor General

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TOWNSHIP OF BRADYS BEND  
ARMSTRONG COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2020

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 BRADYS BEND  
 ARMSTRONG COUNTY  
 LIQUID FUELS TAX FUND  
 BACKGROUND  
 FOR THE PERIOD  
 JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (Continued)

3. Submit the Pennsylvania Department of Community and Economic Development’s (DCED) Report of Elected and Appointed Officials by January 31<sup>st</sup> and the Survey of Financial Condition By March 15<sup>th</sup>.
4. Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.
5. Ensure resolution of all reimbursements required as a result of audits performed by the Department of the Auditor General or monitoring reviews performed by the Department of Transportation’s Financial Consultants.

*Criteria*

The criteria for the Form MS-965 With Adjustment are described below.

Section 1 of Form MS-965 With Adjustments provides a summary of Liquid Fuels Tax Fund expenditures by category. Categories requiring explanation include:

- Major equipment purchases are purchases of road machinery and road equipment with varying yearly costs in excess of the amounts indicated below:

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

- Minor equipment purchases are purchases of road machinery and road equipment with varying yearly costs that are less than or equal to the amounts indicated below:

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

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

TOWNSHIP OF BRADYS BEND  
ARMSTRONG COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (Continued)

Section 2 of Form MS-965 With Adjustments provides information on the fund balance. Categories requiring explanation include:

- The state allocation is available from the Department of Transportation in March of each year. The amount the municipality receives is based half on its population and half on its road mileage.
- Municipalities that transferred roads from the Commonwealth of Pennsylvania to the municipality through the Highway Transfer Program receive annual turnback allocations in March of each year from the Department of Transportation. Turnback allocations are based on the mileage of the roads transferred.
- Expenditures include the total transferred from Section 1.

Section 3 of Form MS-965 With Adjustments determines if the municipality expended Liquid Fuels Tax Fund money in excess of the permissible amount for equipment and the balance that the municipality may carry forward for the purchase of equipment to the subsequent year.

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

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

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



TOWNSHIP OF BRADYS BEND  
ARMSTRONG COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (Continued)

*Basis of Presentation*

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

*Basis Of Accounting*

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

*General Fixed Assets*

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

TOWNSHIP OF BRADYS BEND  
 ARMSTRONG COUNTY  
 LIQUID FUELS TAX FUND  
 2019 FORM MS-965 – SECTION 1  
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ 3,376.76	\$ -	\$ 3,376.76
Computer/Computer related training	2,000.00	(1,000.00)	1,000.00
Major equipment purchases	7,700.02	-	7,700.02
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	7,732.97	-	7,732.97
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	28,141.86	-	28,141.86
Maintenance and repair of roads and bridges	22,519.54	13,518.00	36,037.54
Highway construction and rebuilding projects	-	-	-
Miscellaneous	13,518.00	(13,518.00)	-
 Total (To Section 2, Line 5)	 <u>\$ 84,989.15</u>	 <u>\$ (1,000.00)</u>	 <u>\$ 83,989.15</u>

TOWNSHIP OF BRADYS BEND  
 ARMSTRONG COUNTY  
 LIQUID FUELS TAX FUND  
 2019 FORM MS-965 – SECTION 2  
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2019	\$ 17,838.58	\$ -	\$ 17,838.58
Receipts:			
2. State allocation	61,885.95	-	61,885.95
2a. Turnback allocation	44,040.00	-	44,040.00
2b. Interest on investments	48.24	-	48.24
2c. Miscellaneous	13,639.60	-	13,639.60
3. Total receipts	<u>119,613.79</u>	<u>-</u>	<u>119,613.79</u>
4. Total funds available	<u>137,452.37</u>	<u>-</u>	<u>137,452.37</u>
5. Expenditures (Section 1)	<u>84,989.15</u>	<u>(1,000.00)</u>	<u>83,989.15</u>
6. Balance, December 31, 2019	<u><u>\$ 52,463.22</u></u>	<u><u>\$ 1,000.00</u></u>	<u><u>\$ 53,463.22</u></u>

TOWNSHIP OF BRADYS BEND  
 ARMSTRONG COUNTY  
 LIQUID FUELS TAX FUND  
 2019 FORM MS-965 – SECTION 3  
 WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 7,813.42	\$ -	\$ 7,813.42
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	21,185.19	-	21,185.19
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	28,998.61	-	28,998.61
5. Less: Major equipment expenditures	<u>7,700.02</u>	<u>-</u>	<u>7,700.02</u>
6. Remainder	<u>21,298.59</u>	<u>-</u>	<u>21,298.59</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 21,298.59</u>	<u>\$ -</u>	<u>\$ 21,298.59</u>

TOWNSHIP OF BRADYS BEND  
 ARMSTRONG COUNTY  
 LIQUID FUELS TAX FUND  
 2020 FORM MS-965 – SECTION 1  
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ 10,237.67	\$ -	\$ 10,237.67
Computer/Computer related training	-	1,000.00	1,000.00
Major equipment purchases	44,598.96	-	44,598.96
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	3,269.17	-	3,269.17
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	21,924.74	(966.05)	20,958.69
Maintenance and repair of roads and bridges	66,278.33	(87.00)	66,191.33
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 146,308.87</u>	 <u>\$ (53.05)</u>	 <u>\$ 146,255.82</u>

TOWNSHIP OF BRADYS BEND  
 ARMSTRONG COUNTY  
 LIQUID FUELS TAX FUND  
 2020 FORM MS-965 – SECTION 2  
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2020	\$ 52,463.22	\$ 1,000.00	\$ 53,463.22
Receipts:			
2. State allocation	60,217.26	-	60,217.26
2a. Turnback allocation	44,040.00	-	44,040.00
2b. Interest on investments	55.22	-	55.22
2c. Miscellaneous	-	-	-
3. Total receipts	<u>104,312.48</u>	<u>-</u>	<u>104,312.48</u>
4. Total funds available	<u>156,775.70</u>	<u>1,000.00</u>	<u>157,775.70</u>
5. Expenditures (Section 1)	<u>146,308.87</u>	<u>(53.05)</u>	<u>146,255.82</u>
6. Balance, December 31, 2020	<u><u>\$ 10,466.83</u></u>	<u><u>\$ 1,053.05</u></u>	<u><u>\$ 11,519.88</u></u>

TOWNSHIP OF BRADYS BEND  
 ARMSTRONG COUNTY  
 LIQUID FUELS TAX FUND  
 2020 FORM MS-965 – SECTION 3  
 WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 21,298.59	\$ -	\$ 21,298.59
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	20,851.45	-	20,851.45
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	42,150.04	-	42,150.04
5. Less: Major equipment expenditures	<u>44,598.96</u>	<u>-</u>	<u>44,598.96</u>
6. Remainder	<u>(2,448.92)</u>	<u>-</u>	<u>(2,448.92)</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWNSHIP OF BRADYS BEND  
ARMSTRONG COUNTY  
LIQUID FUELS TAX FUND  
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2020

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

Adjustments

2019 - Section 1

An adjustment of \$(1,000.00) was made to “Computer/Computer related training” because check No. 2454, which was issued on January 3, 2020, was incorrectly reported as an expenditure in 2019.

Adjustments were made to “Miscellaneous” and “Maintenance and repair of roads and bridges” because expenditures of \$13,518.00 were misclassified.

2020 - Section 1

An adjustment of \$(1,000.00) was made to “Computer/Computer related training” because check No. 2454, which was issued on January 3, 2020, was incorrectly reported as an expenditure in 2019.

An adjustment of \$(966.05) was made to “Repairs of tools and machinery” because check No. 2555 was never cashed, but was included as an expenditure.

An adjustment of \$(87.00) was made to “Repairs of tools and machinery” because check No. 2529 was never cashed, but was included as an expenditure.

2020 - Section 2

An adjustment of \$1,000.00 was made to “Balance, January 1, 2020” to reflect the adjustment made to the fund balance in 2019 - Section 2.



TOWNSHIP OF BRADYS BEND  
ARMSTRONG COUNTY  
LIQUID FUELS TAX FUND  
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2020

Bank Loan

On January 26, 2011, the municipality borrowed \$126,624.00 from Farmers National Bank to purchase a 2008 International truck with plow and spreader. The term of the loan was for ten years at an interest rate of 4.0 percent. Principal and interest payments of \$3,850.01 are due quarterly for the first 39 payments, with a final payment of \$3,849.99. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$88,788.27 and \$22,898.02, respectively. Additionally, the municipality paid principal of \$8,388.58 and interest of \$3,108.29 from the General Fund.

During the current examination period, the municipality paid principal of \$7,141.01 and interest of \$599.01 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2019 and 2020 Forms MS-965 - Section 1. Additionally, the municipality paid principal of \$22,306.14 and interest of \$232.88 from the General Fund. The outstanding balance of the loan was paid-in-full on September 19, 2019.

Lease-Purchase Agreement

On August 6, 2018, the municipality entered into a lease-purchase agreement with FNB Equipment Finance to purchase a JCB backhoe for \$114,490.91, less \$6,000.00 for a trade-in of a John Deere backhoe, for a total lease amount of \$108,490.91. The agreement was for a term of five years at an interest rate of 4.25 percent. Principal and interest payments of \$24,598.96 are due yearly.

During the current examination period, the municipality paid principal of \$20,759.25 and interest of \$3,839.71 from the Liquid Fuels Tax Fund. This amount is reflected in major equipment purchases on the 2020 Form MS-965 - Section 1. Additionally, the municipality paid principal of \$19,896.91 and interest of \$4,702.05 from the General Fund. The outstanding balance of the lease-purchase agreement as of December 31, 2020, was \$67,834.75, plus interest.

TOWNSHIP OF BRADYS BEND  
 ARMSTRONG COUNTY  
 LIQUID FUELS TAX FUND  
 FINDINGS AND RECOMMENDATIONS  
 FOR THE PERIOD  
 JANUARY 1, 2019 TO DECEMBER 31, 2020

**Finding No. 1 - Duplicate Payment Of Invoice**

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>
78983	2499	04/24/20	2501	05/08/20	<u>\$1,249.06</u>

Although this money should be reimbursed to the Liquid Fuels Tax Fund, the primary concern is the inadequate internal controls that enabled the duplicate payments of \$1,249.06 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.

The municipality was unaware that there was a duplicate payment.

**Recommendations**

We recommend that the municipality reimburse \$1,249.06 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.

**Management's Response**

The Sectary/Treasurer stated:

We agree with the finding. I contacted the vendor for reimbursement, and I will return it to the Liquid Fuels account.

**Auditor's Conclusion**

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

TOWNSHIP OF BRADYS BEND  
 ARMSTRONG COUNTY  
 LIQUID FUELS TAX FUND  
 FINDINGS AND RECOMMENDATIONS  
 FOR THE PERIOD  
 JANUARY 1, 2019 TO DECEMBER 31, 2020

**Finding No. 2 - Nonpermissible Expenditures**

Our examination disclosed that the municipality expended \$3,566.57 during 2019 and \$5,275.00 during 2020 from the Liquid Fuels Tax Fund for the following nonpermissible items:

<u>Description</u>	<u>Amount</u>	<u>Totals</u>
Garage heater	\$ 931.57	
Man door for garage	<u>2,635.00</u>	
2019 Total		\$3,566.57
Vehicle insurance	<u>5,275.00</u>	
2020 Total		<u>5,275.00</u>
Two Year Total		<u><u>\$8,841.57</u></u>

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 a garage heater, a garage man door, and vehicle insurance 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 \$8,841.57 to its Liquid Fuels Tax Fund.

This condition occurred because the municipality was not aware that the expenditures were not permissible Liquid Fuels Tax Fund expenditures.

TOWNSHIP OF BRADYS BEND  
ARMSTRONG COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2020

**Finding No. 2 - Nonpermissible Expenditures (Continued)**

Recommendations

We recommend that the municipality reimburse \$8,841.57 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 municipal officials stated:

We were not aware these were not Liquid Fuel allowed. [*sic*]

Auditor's Conclusion

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

TOWNSHIP OF BRADYS BEND  
 ARMSTRONG COUNTY  
 LIQUID FUELS TAX FUND  
 FINDINGS AND RECOMMENDATIONS  
 FOR THE PERIOD  
 JANUARY 1, 2019 TO DECEMBER 31, 2020

**Finding No. 3 - Over Expended Equipment Purchase Tally**

Our examination disclosed that the municipality expended \$2,448.92 in excess of the amount available for the purchase of equipment during 2020 as follows:

<u>2020</u>	<u>Actual</u>
1. Prior year equipment balance	\$ 21,298.59
2. Current year equipment allocation (20% of Lines 2 + 2A, Section 2)	20,851.45
3. PENNDOT approved adjustments	<u>-</u>
4. Total funds available for equipment acquisition	42,150.04
5. Less: Major equipment purchases	<u>(44,598.96)</u>
6. Amount Over Expended for equipment – 2020	<u>\$ (2,448.92)</u>

The Department of Transportation’s, *Publication 9*, Appendix D, Section 449.11, 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, 20 percent of the current year’s Liquid Fuels Tax Fund allocations, and any approved adjustments.

The failure to follow *Publication 9* could result in the municipality having to reimburse \$2,448.92 to its Liquid Fuels Tax Fund.

This condition occurred because the municipality failed to keep track of the balance allowable for equipment acquisition.

**Recommendations**

We recommend that the municipality reimburse \$2,448.92 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the municipality only expend up to the approved amount on equipment expenditures in accordance with the Department of Transportation’s *Publication 9*.

TOWNSHIP OF BRADYS BEND  
ARMSTRONG COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2020

**Finding No. 3 - Over Expended Equipment Purchase Tally (Continued)**

Management's Response

The municipal officials stated:

We were unaware we were over the equipment allowable spending.

Auditor's Conclusion

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

TOWNSHIP OF BRADYS BEND  
ARMSTRONG COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2020

Summary Of Prior Examination Recommendations

In our prior report, we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$13,639.60 to its Liquid Fuels Tax Fund for liquid fuels monies over expended on a project.

During our current examination, we reviewed a letter dated November 4, 2019, from the Department of Transportation directing the municipality to reimburse \$13,639.60 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on December 6, 2019.

In our prior report, we also recommended that the municipality only expend the approved amount of Liquid Fuels Tax Fund monies on road construction projects.

During our current examination, we noted that the municipality did not have any expenditures for road construction projects.

TOWNSHIP OF BRADYS BEND  
ARMSTRONG COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF EXIT CONFERENCE  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2020

An exit conference was held May 26, 2021. Those participating were:

TOWNSHIP OF BRADYS BEND

The Honorable James Mortimer, Supervisor

Mrs. Sheila Markel, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Ronald J. Fairman, 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 PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2020

This report was initially distributed to:

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

**Township of Bradys Bend**  
Armstrong County  
1004 State Route 68  
East Brady, PA 16028

**The Honorable Henry J. Crawford**  
Chairman of the Board of Supervisors

**The Honorable James Mortimer**  
Supervisor

**Mrs. Sheila Markel**  
Secretary/Treasurer

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