

# ATTESTATION ENGAGEMENT

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Township of Mann  
Bedford County, Pennsylvania  
05-216  
Liquid Fuels Tax Fund  
For the Period  
January 1, 2021 to December 31, 2021

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January 2023



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 Form MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Township of Mann, Bedford County, for the period January 1, 2021 to December 31, 2021. The municipality's management is responsible for presenting the Form MS-965 in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*. Our responsibility is to express an opinion on the Form MS-965 With Adjustments based on our examination.

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

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

### 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 invoices to support a transfer from its Liquid Fuels Tax Fund to its General Fund of \$24,767.81 made on April 22, 2021. (see Finding No. 1).
- 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. As of December 31, 2021, the municipality had reimbursed \$68,966.89 to its Liquid Fuels Tax Fund, leaving a balance due of \$565.56 (see Summary of 2007-2009 and 2010-2011 Examination Recommendations).
- As a result of findings in our 2012-2014 and 2015-2016 examination reports and a Turnback examination report, the Department of Transportation determined that the municipality was required to reimburse \$76,176.68 to its Liquid Fuels Tax Fund. As of December 31, 2021, the municipality had reimbursed \$30,470.68 to its Liquid Fuels Tax Fund, leaving a balance due of \$45,706.00 (see Summary of 2012-2014 and 2015-2016 Examination Recommendations).
- As a result of findings in our 2019-2020 examination report, the Department of Transportation determined that the municipality was required to reimburse \$106,277.13 to its Liquid Fuels Tax Fund. As of December 31, 2021, the municipality had reimbursed \$21,255.43 to its Liquid Fuels Tax Fund, leaving a balance due of \$85,021.70 (see Summary of 2019-2020 Examination Recommendations).

In our opinion, except for the bulleted matters discussed above, the Form MS-965 With Adjustments presents, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund of the Township of Mann, Bedford County, for the period January 1, 2021 to December 31, 2021, in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*.

## 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 Form 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 Form MS-965. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Form MS-965 is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over reporting on the Form 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 Form MS-965 is 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 Form MS-965 will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency below to be a material weakness:

- Documentation Supporting Expenditures Was Not Available For Examination - Recurring.

As part of obtaining reasonable assurance about whether the Form MS-965 is 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 Form MS-965. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*:

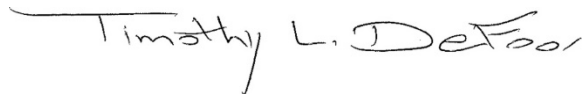
- Transfers To The General Fund For Anticipated Liquid Fuels Tax Fund Expenditures.

Independent Auditor's Report (Continued)

The examination finding for expenditures made without supporting documentation contained in this report cites a condition that existed in the operation of the municipality during the previous four engagement periods and was not corrected during the current examination period. The municipality should strive to comply with the recommendations noted 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 the Bureau of County Audits at 717-787-1363.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a horizontal line above the first few letters.

Timothy L. DeFoor  
Auditor General  
December 21, 2022

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TOWNSHIP OF MANN  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2021

Background

The Liquid Fuels Tax Municipal Allocation Law, Act 655 of 1956, as amended, see also 72 P.S. § 2615.5, et sec., provides municipalities other than counties (i.e., townships, boroughs, cities, towns, home rule, and optional plan governments) with an annual allocation of liquid fuels taxes from the state's Motor License Fund to be used for the maintenance and repair of streets, roads, and bridges for which the municipality is responsible. The allocation of these funds to municipalities is based upon: (1) 50 percent on the municipality's proportion of local road mileage to the total local road mileage in the state; and (2) 50 percent on the proportion of a municipality's population to the total population in the state.

Title 75 Pa.C.S. § 9511 of the Pennsylvania Vehicle Code provides municipalities with annual maintenance payments to be received from the Motor License Fund for functionally local highways that were transferred to a municipality from the Commonwealth of Pennsylvania.

Each municipality must deposit the allocation of Liquid Fuels Tax funds and annual maintenance payments that it receives into a special fund called either the Municipal Liquid Fuels Tax Fund or State Fund. A municipality may not deposit any other monies into this fund except when the municipality does not have enough money in the special fund to meet the payments called for by its current annual budget for road and bridge purposes. In such a case, the municipality may borrow money or transfer money from its General Fund to its Liquid Fuels Tax Fund.

The Department of Transportation has been given the regulatory authority for the administration of these funds. Department of Transportation's *Publication 9* includes the policies and procedures for the administration of Act 655, as amended, and the Liquid Fuels Tax Fund money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.

To qualify for the annual allocation of Liquid Fuels Tax funds, *Publication 9* indicates that each municipality shall:

1. Submit annual reports (MS-965, Actual Use Report, MS-965P, Project and Miscellaneous Receipts, and MS-965S, Record of Checks).
2. Make deposits and payments or expenditures in compliance with Act 655 of 1956, as amended. Failure to do so may result in not receiving allocations from PennDOT until all discrepancies are resolved. *Publication 9*, Section 2.6, includes information about investing Liquid Fuels Tax monies, using loan or bond proceeds, and types of receipts into the Liquid Fuels Tax Fund.

TOWNSHIP OF MANN  
 BEDFORD COUNTY  
 LIQUID FUELS TAX FUND  
 BACKGROUND  
 FOR THE PERIOD  
 JANUARY 1, 2021 TO DECEMBER 31, 2021

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:

2018	2019	2020	2021
\$10,900.00	\$11,100.00	\$11,300.00	\$11,500.00

- 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:

2018	2019	2020	2021
\$10,900.00	\$11,100.00	\$11,300.00	\$11,500.00

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



TOWNSHIP OF MANN  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
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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 MANN  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2021

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 MANN  
 BEDFORD COUNTY  
 LIQUID FUELS TAX FUND  
 2021 FORM MS-965 – SECTION 1  
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ 1,903.71	\$ -	\$ 1,903.71
Computer/Computer related training	-	-	-
Major equipment purchases	15,282.07	-	15,282.07
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	3,373.67	-	3,373.67
Traffic control devices	285.99	-	285.99
Street lighting	-	-	-
Storm sewers and drains	9,700.30	-	9,700.30
Repairs of tools and machinery	5,256.28	-	5,256.28
Maintenance and repair of roads and bridges	155,627.22	-	155,627.22
Highway construction and rebuilding projects	188,795.54	-	188,795.54
Miscellaneous	1,042.87	-	1,042.87
 Total (To Section 2, Line 5)	 <u>\$ 381,267.65</u>	 <u>\$ -</u>	 <u>\$ 381,267.65</u>

TOWNSHIP OF MANN  
 BEDFORD COUNTY  
 LIQUID FUELS TAX FUND  
 2021 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, 2021	\$ 58,369.52	\$ -	\$ 58,369.52
Receipts:			
2. State allocation	145,102.37	-	145,102.37
2a. Turnback allocation	13,600.00	-	13,600.00
2b. Interest on investments	18.99	-	18.99
2c. Miscellaneous	397,569.09	-	397,569.09
3. Total receipts	556,290.45	-	556,290.45
4. Total funds available	614,659.97	-	614,659.97
5. Expenditures (Section 1)	381,267.65	-	381,267.65
6. Balance, December 31, 2021	<u>\$ 233,392.32</u>	<u>\$ -</u>	<u>\$ 233,392.32</u>

TOWNSHIP OF MANN  
 BEDFORD COUNTY  
 LIQUID FUELS TAX FUND  
 2021 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	\$ 42,371.00	\$ -	\$ 42,371.00
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	31,740.47	-	31,740.47
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	74,111.47	-	74,111.47
5. Less: Major equipment expenditures	15,282.07	-	15,282.07
6. Remainder	<u>58,829.40</u>	<u>-</u>	<u>58,829.40</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 58,829.40</u>	<u>\$ -</u>	<u>\$ 58,829.40</u>

TOWNSHIP OF MANN  
 BEDFORD COUNTY  
 LIQUID FUELS TAX FUND  
 AUDITOR DESCRIPTION OF SELECT TRANSACTIONS  
 FOR THE PERIOD  
 JANUARY 1, 2021 TO DECEMBER 31, 2021

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

Miscellaneous Receipts

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

Source	Description	Amount
General Fund	Reimbursement (Summary Of 2010-2011 Examination Recommendations)	\$ 9,532.47
General Fund	Reimbursement (Summary Of 2015-2016 Examination Recommendations)	15,235.34
General Fund	Reimbursement for payment in error	217.87
Commonwealth of Pennsylvania	Duplicate deposit of 2020 allocation	155,181.17
Vendor	Reimbursement for parts	170.00
Local Business	Deposit in error	825.00
Local Business	Reimbursement for engineering fees	647.55
Local Business	Reimbursement for engineering fees	589.50
Commonwealth of Pennsylvania	Deposit in error	3,754.39
General Fund	Reimbursement (Summary Of 2019-2020 Examination Recommendations)	21,255.43
Commonwealth of Pennsylvania	Reimbursable Agreements	190,160.37
Total		<u>\$397,569.09</u>

TOWNSHIP OF MANN  
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 LIQUID FUELS TAX FUND  
 AUDITOR DESCRIPTION OF SELECT TRANSACTIONS  
 FOR THE PERIOD  
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Reimbursable Agreements

During our examination, we noted that the municipality entered into a reimbursable agreement with the Department of Transportation for the engineering, inspection, design, and construction of the T-317 Mountain Road Bridge. During our current examination period, the municipality received \$190,160.37 as a result of this agreement.

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>Amount</u>
Vendor	Payment in error	\$ 217.87
General Fund	Correction of deposit error	825.00
Total		<u><u>\$1,042.87</u></u>

Lease-Purchase Agreement

During 2020, the municipality purchased a 2020 John Deere backhoe/loader for \$94,485.65. The municipality received a trade-in-allowance of \$15,000.00. The municipality entered into a lease-purchase agreement with F.N.B Equipment Finance for the balance of \$79,485.65. The agreement was for a term of six years at an interest rate of 5.085 percent. Principal and interest payments of \$15,282.07 are due annually.

During the current examination period, the municipality paid principal of \$13,477.14 and interest of \$1,804.93 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2021 Form MS-965 - Section 1. The outstanding balance of the lease-purchase agreement as of December 31, 2021, was \$66,008.51, plus interest.

Duplicate Deposit Of 2020 Allocation

On April 1, 2021, the Commonwealth of Pennsylvania incorrectly made a duplicate electronic deposit of the municipality's 2020 Liquid Fuels Tax Fund allocation of \$155,181.17. During our current examination, we reviewed a letter dated April 7, 2022, from the Department of Transportation directing the municipality to reimburse \$155,181.17 to the Commonwealth of Pennsylvania. The duplicate reimbursement is in the Miscellaneous Receipts account in the enclosed Form MS-965. The municipality reimbursed this amount to

TOWNSHIP OF MANN  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS  
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the Commonwealth of Pennsylvania on April 21, 2022, which was subsequent to our examination period.

Deposits In Error

On September 21, 2021, \$3,754.39 of state funds for fire relief aid was electronically deposited into the municipality's Liquid Fuels Tax Fund in error. According to the municipality, the funds will remain in the Liquid Fuels Tax Fund.

On June 15, 2021, the municipality deposited \$825.00 into its Liquid Fuels Tax Fund in error. On June 17, 2021, the municipality transferred this amount from its Liquid Fuels Tax Fund to its General Fund to correct the deposit in error.

Payment In Error

On March 1, 2021, the municipality expended \$217.87 from its Liquid Fuels Tax Fund in error. On March 18, 2021, the municipality transferred this amount from its General Fund to its Liquid Fuels Tax Fund to correct the payment in error.



TOWNSHIP OF MANN  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
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**Finding No. 1 - Documentation Supporting Transfer Was Not Available For Examination - Recurring**

We cited the municipality for not maintaining documentation supporting expenditures in our prior four reports with the most recent being for the period January 1, 2019 to December 31, 2020. Our examination disclosed that the municipality did not maintain invoices to support a transfer from its Liquid Fuels Tax Fund to its General Fund of \$24,767.81 made on April 22, 2021.

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

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 transfers made without supporting documentation, are outside the scope of permissible expenditures.

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

This condition occurred because the municipality transferred money to its Liquid Fuels Tax Fund to comply with prior examination recommendations and then transferred the money back to the General Fund.

The failure to maintain documentation to support expenditures could result in the municipality having to reimburse \$24,767.81 to its Liquid Fuels Tax Fund.

TOWNSHIP OF MANN  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
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**Finding No. 1 - Documentation Supporting Transfer Was Not Available For Examination - Recurring (Continued)**

Recommendations

We recommend that the municipality reimburse \$24,767.81 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 transfers by maintaining adequate documentation to support all expenditures.

Management's Response

The secretary stated:

We transferred money out to pay audit findings then transferred money back to our General Fund account.

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.

TOWNSHIP OF MANN  
 BEDFORD COUNTY  
 LIQUID FUELS TAX FUND  
 FINDINGS AND RECOMMENDATIONS  
 FOR THE PERIOD  
 JANUARY 1, 2021 TO DECEMBER 31, 2021

**Finding No. 2 - Transfers To The General Fund For Anticipated Liquid Fuels Tax Fund Expenditures**

Our examination disclosed that on April 27, 2021, the municipality transferred \$20,000.00 from the Liquid Fuels Tax Fund to the General Fund. As of this date, the General Fund had only incurred \$1,430.00 of Liquid Fuels Tax Fund expenditures. Therefore, the amount transferred from the Liquid Fuels Tax Fund to the General Fund exceeded the expenditures incurred by \$18,570.00. The municipality’s General Fund subsequently issued the following checks:

<u>Check No.</u>	<u>Date</u>	<u>Amount</u>	<u>Purpose</u>
1006	07/29/2021	\$ 245.54	Stone
1008	07/29/2021	253.20	Pipe
1009	07/29/2021	1,156.68	Geotextile
1010	07/29/2021	250.18	Stone
1011	07/29/2021	249.13	Stone
1012	07/29/2021	1,386.63	Stone
1013	07/29/2021	2,633.36	Stone
1015	08/12/2021	6,178.28	Hauling stone
1016	08/26/2021	<u>6,217.00</u>	Stone
Totals		<u>\$18,570.00</u>	

Stone, pipe, geotextile, and hauling stone are permissible liquid fuels expenditures.

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

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

This condition occurred because the municipality knew it had bills coming and transferred the money too early.

TOWNSHIP OF MANN  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
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**Finding No. 2 - Transfers To The General Fund For Anticipated Liquid Fuels Tax Fund Expenditures (Continued)**

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

Recommendation

We recommend that the municipality only disburse funds from the Liquid Fuels Tax Fund for expenditures incurred.

Management's Response

The secretary stated:

We knew that we had bills coming soon from contractors and we transferred money too early.

Auditor's Conclusion

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

TOWNSHIP OF MANN  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF PRIOR EXAMINATIONS' RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2021

Summary Of 2007-2009 Examination Recommendation

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 directing 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 \$2,548.07 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 Recommendation

In 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 failure 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 directing 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 its 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.

TOWNSHIP OF MANN  
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 SUMMARY OF PRIOR EXAMINATIONS' RECOMMENDATIONS  
 FOR THE PERIOD  
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Summary Of 2010-2011 Examination Recommendation (Continued)

Reimbursements to the municipality's Liquid Fuels Tax Fund through December 31, 2021 were as follows:

<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	1,000.00
04/25/17	10,000.00
03/29/18	10,000.00
03/15/19	10,000.00
02/25/21	<u>9,532.47</u>
Total	<u>\$68,966.89</u>

As of December 31, 2021, \$565.56 was due the municipality's Liquid Fuels Tax Fund.

Summary Of 2012-2014 Examination Recommendation

In our 2012-2014 report, we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$23,383.95 to its Liquid Fuels Tax Fund for failing to maintain documentation to support expenditures.

During our 2017-2018 examination, we reviewed a letter dated June 2, 2016, from the Department of Transportation directing the municipality to reimburse \$23,383.95 to its Liquid Fuels Tax Fund. On March 26, 2019, the Department of Transportation combined its reimbursement request of \$23,383.95 with the 2015-2016 examination reimbursement request (see Summary Of 2015-2016 Examination Recommendation).

TOWNSHIP OF MANN  
 BEDFORD COUNTY  
 LIQUID FUELS TAX FUND  
 SUMMARY OF PRIOR EXAMINATIONS' RECOMMENDATIONS  
 FOR THE PERIOD  
 JANUARY 1, 2021 TO DECEMBER 31, 2021

Summary Of 2015-2016 Examination Recommendation

In our 2015-2016 report, we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$66,787.99 to its Liquid Fuels Tax Fund. This amount consists of \$21,228.93 for not maintaining documentation supporting expenditures, \$1,100.64 for duplicate payment and overpayment of invoices, \$31,947.40 for noncompliance with advertising and bidding requirements, \$10,589.07 for nonpermissible expenditures, and \$1,921.95 for retroactive expenditures.

During our current examination period, on March 26, 2019, the Department of Transportation directed the municipality to reimburse \$14,840.59 of the \$66,787.99 to its Liquid Fuels Tax Fund. The township requested a payment plan for the reimbursement of 2012-2014 examination findings, the 2015-2016 examination findings, and Turnback examination findings. The amounts of the reimbursements required are as follows:

<u>Examination Description</u>	<u>Examination Period</u>	<u>Balance Due</u>
Liquid Fuels Tax Fund	January 1, 2012 to December 31, 2014	\$23,383.95
Liquid Fuels Tax Fund	January 1, 2015 to December 31, 2016	14,840.59
Turnback Fund	March 17, 2015 to October 29, 2015	<u>37,952.14</u>
Total		<u>\$76,176.68</u>

The municipality agreed to reimburse the \$76,176.68 to its Liquid Fuels Tax Fund in five annual installments. The first four installments are \$15,235.34. The final installment is \$15,235.32.

Reimbursements to the municipality's Liquid Fuels Tax Fund through December 31, 2021 were as follows:

<u>Date</u>	<u>Amount</u>
03/05/19	\$15,235.34
02/25/21	<u>15,235.34</u>
Total	<u>\$30,470.68</u>

As of December 31, 2021, \$45,706.00 was due the municipality's Liquid Fuels Tax Fund.

TOWNSHIP OF MANN  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF PRIOR EXAMINATIONS' RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2021

Summary Of 2019-2020 Examination Recommendations

In our prior report, we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$106,277.13 to its Liquid Fuels Tax Fund. This amount consists of \$59,694.67 for not maintaining documentation to support expenditures, \$31,405.58 for noncompliance with advertising and bidding requirements, \$10,486.88 for nonpermissible expenditures, and \$4,690.00 for related party transactions.

During our current examination, we reviewed a letter dated November 23, 2021, from the Department of Transportation directing the municipality to reimburse \$106,277.13 to its Liquid Fuels Tax Fund. The township requested a payment plan for the reimbursement. The municipality agreed to reimburse the \$106,277.13 to its Liquid Fuels Tax Fund in five annual installments. The first four installments are \$21,255.43. The final installment is \$21,255.41. The first installment of \$21,255.43 was reimbursed to the Liquid Fuels Tax Fund on December 16, 2021. As of December 31, 2021, \$85,021.70 was due the municipality's Liquid Fuels Tax Fund.

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

- Ensure good internal control over expenditures by maintaining adequate documentation to support all transfers.
- Comply with *The Second Class Township Code* by advertising for bids for all purchases over \$20,600.00. The threshold for advertising for bids increased to purchases over \$20,600.00 for 2019, \$21,000.00 for 2020, \$21,300.00 for 2021, and \$21,900 for 2022.
- Comply with Liquid Fuels Tax Municipality Allocation Law and the Department of Transportation's Regulations regarding permissible expenditures.
- Comply with *The Second Class Township Code* and the Ethics Act regarding related party transactions.
- 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 second, third, fourth, and fifth bulleted recommendations. The municipality did not comply with our first bulleted recommendation (see Finding No. 1).



TOWNSHIP OF MANN  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF EXIT CONFERENCE  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2021

An exit conference was held July 18, 2022. Those participating were:

TOWNSHIP OF MANN

Ms. Jacqueline Dilley, Secretary

DEPARTMENT OF THE AUDITOR GENERAL

Ms. 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, 2021 TO DECEMBER 31, 2021

This report was initially distributed to:

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

**Township of Mann**  
Bedford County  
1410 Mountain Road  
Artemas, PA 17211

**The Honorable Richard Talbert**  
Chairman of the Board of Supervisors

**Ms. Jacqueline Dilley**  
Secretary

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