



**TOWNSHIP OF BRATTON  
MIFFLIN COUNTY  
44-202**

**LIQUID FUELS TAX FUND  
EXAMINATION REPORT**

**FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2011**

Released September 2013

**COMMONWEALTH OF PENNSYLVANIA**

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

**DEPARTMENT OF THE AUDITOR GENERAL**





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**EUGENE A. DePASQUALE**  
**AUDITOR GENERAL**

### Independent Auditor's Report

The Honorable Barry J. Schoch, 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 Bratton, Mifflin County, for the period January 1, 2010 to December 31, 2011. 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 Bratton, Mifflin County's Forms MS-965 for the period January 1, 2010 to December 31, 2011 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. 2, the municipality expended \$7,368.31 during 2010 and \$9,151.26 during 2011 from the Liquid Fuels Tax Fund for multiple purchases of fuel. Additionally \$9,538.28 was expended during 2010 from the Liquid Fuels Tax Fund for multiple purchases of pipe. However, documentation for price quotations were not maintained. Additionally, as discussed in the Comment section of this report, during our 2003–2004 examination period the municipality expended \$23,587.50 without advertising for bids and obtaining project approval and \$9,120.00 for an inappropriate use of Liquid Fuels Tax Fund money. During our prior examination we noted the municipality reimbursed \$13,083.00 to the Liquid Fuels Tax Fund. During our current examination we noted that on both December 30, 2010 and December 27, 2011, the municipality reimbursed \$6,541.50 to its Liquid Fuels Tax Fund, leaving a balance due of \$6,541.50.

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 Bratton, Mifflin County, for the two years ended December 31, 2011, 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.

### Independent Auditor's Report (Continued)

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 Bratton, Mifflin 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 Bratton, Mifflin County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Township of Bratton, Mifflin County's internal control. We consider the deficiency described in the finding below to be a significant deficiency in internal control over reporting on the Forms MS-965:

- Failure To Properly Prepare Forms MS-965.

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 Bratton, Mifflin 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. We consider the significant deficiency described above to be a material weakness.

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

- Documentation For Price Quotations Was Not Available For Examination.

We are concerned in light of the township's failure to correct a previously reported finding for the failure to properly prepare Forms MS-965. During our current examination the township failed to properly prepare Forms MS-965 and failed to maintain documentation for price quotations. The 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 Bratton, Mifflin County, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke at the end.

December 12, 2012

**EUGENE A. DEPASQUALE**  
Auditor General

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TOWNSHIP OF BRATTON  
MIFFLIN COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2011

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.

TOWNSHIP OF BRATTON  
 MIFFLIN COUNTY  
 LIQUID FUELS TAX FUND  
 2010 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	\$ 35,375.00	\$ -	\$ 35,375.00
Minor equipment purchases	3,400.00	-	3,400.00
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	11,004.97	-	11,004.97
Traffic control devices	2,994.02	-	2,994.02
Street lighting	919.43	-	919.43
Storm sewers and drains	-	-	-
Repairs of tools and machinery	14,088.18	-	14,088.18
Maintenance and repair of roads and bridges	71,671.08	(48,291.26)	23,379.82
Highway construction and rebuilding projects	-	48,291.26	48,291.26
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 139,452.68</u>	 <u>\$ -</u>	 <u>\$ 139,452.68</u>

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



TOWNSHIP OF BRATTON  
 MIFFLIN COUNTY  
 LIQUID FUELS TAX FUND  
 2010 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, 2010	\$ 175,227.83	\$ (290.91)	\$ 174,936.92
Receipts:			
2. State allocation	49,959.44	-	49,959.44
2a. Turnback allocation	17,800.00	-	17,800.00
2b. Interest on investments (Note 3)	497.66	533.99	1,031.65
2c. Miscellaneous (Note 5)	735.40	6,541.50	7,276.90
3. Total receipts	<u>68,992.50</u>	<u>7,075.49</u>	<u>76,067.99</u>
4. Total funds available	<u>244,220.33</u>	<u>6,784.58</u>	<u>251,004.91</u>
5. Expenditures (Section 1)	<u>139,452.68</u>	<u>-</u>	<u>139,452.68</u>
6. Balance, December 31, 2010	<u><u>\$ 104,767.65</u></u>	<u><u>\$ 6,784.58</u></u>	<u><u>\$ 111,552.23</u></u>

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

TOWNSHIP OF BRATTON  
 MIFFLIN COUNTY  
 LIQUID FUELS TAX FUND  
 2010 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	\$ 45,585.69	\$ 15,317.97	\$ 60,903.66
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	13,551.89	-	13,551.89
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	59,137.58	15,317.97	74,455.55
5. Less: Major equipment expenditures	35,375.00	-	35,375.00
6. Remainder	<u>23,762.58</u>	<u>15,317.97</u>	<u>39,080.55</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 23,762.58</u>	<u>\$ 15,317.97</u>	<u>\$ 39,080.55</u>

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

TOWNSHIP OF BRATTON  
 MIFFLIN COUNTY  
 LIQUID FUELS TAX FUND  
 2011 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	\$ 104,110.20	\$ 8,478.60	\$ 112,588.80
Minor equipment purchases	2,779.92	-	2,779.92
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	7,182.50	-	7,182.50
Traffic control devices	107.71	-	107.71
Street lighting	957.67	-	957.67
Storm sewers and drains	1,793.00	-	1,793.00
Repairs of tools and machinery	21,548.76	(9,390.89)	12,157.87
Maintenance and repair of roads and bridges	38,350.92	(21,966.01)	16,384.91
Highway construction and rebuilding projects	-	31,356.90	31,356.90
Miscellaneous	8,478.60	(8,478.60)	-
 Total (To Section 2, Line 5)	 <u>\$ 185,309.28</u>	 <u>\$ -</u>	 <u>\$ 185,309.28</u>

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

TOWNSHIP OF BRATTON  
 MIFFLIN COUNTY  
 LIQUID FUELS TAX FUND  
 2011 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, 2011	\$ 104,767.65	\$ 6,784.58	\$ 111,552.23
Receipts:			
2. State allocation	51,129.00	-	51,129.00
2a. Turnback allocation	17,800.00	-	17,800.00
2b. Interest on investments (Note 3)	1,481.72	(663.96)	817.76
2c. Miscellaneous (Note 5)	101,965.51	-	101,965.51
3. Total receipts	<u>172,376.23</u>	<u>(663.96)</u>	<u>171,712.27</u>
4. Total funds available	<u>277,143.88</u>	<u>6,120.62</u>	<u>283,264.50</u>
5. Expenditures (Section 1)	<u>185,309.28</u>	<u>-</u>	<u>185,309.28</u>
6. Balance, December 31, 2011	<u>\$ 91,834.60</u>	<u>\$ 6,120.62</u>	<u>\$ 97,955.22</u>

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

TOWNSHIP OF BRATTON  
 MIFFLIN COUNTY  
 LIQUID FUELS TAX FUND  
 2011 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	\$ 23,762.58	\$ 15,317.97	\$ 39,080.55
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	13,785.80	-	13,785.80
3. PENNDOT approved adjustments	<u>95,000.00</u>	<u>-</u>	<u>95,000.00</u>
4. Total funds available for equipment acquisition	132,548.38	15,317.97	147,866.35
5. Less: Major equipment expenditures	<u>104,110.20</u>	<u>8,478.60</u>	<u>112,588.80</u>
6. Remainder	<u>28,438.18</u>	<u>6,839.37</u>	<u>35,277.55</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 28,438.18</u>	<u>\$ 6,839.37</u>	<u>\$ 35,277.55</u>

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

TOWNSHIP OF BRATTON  
MIFFLIN COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2011

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 BRATTON  
MIFFLIN COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2011

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 BRATTON  
MIFFLIN COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2011

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, 2011. 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 BRATTON  
MIFFLIN COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2011

2. Deposits (Continued)

Fund Balance

The fund balance as of December 31, 2011 consists of the following:

Cash	\$54,527.80
Certificates of deposit	<u>43,427.42</u>
Total	<u>\$97,955.22</u>

3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in an interest-bearing account and certificates of deposit which earned \$1,031.65 during 2010, and \$817.76 during 2011, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2010 - Section 1

Adjustments were made to "Maintenance and repair of roads and bridges" and "Highway construction and rebuilding projects" because expenditures of \$48,291.26 were misclassified.

2010 - Section 2

An adjustment of \$(290.91) was made to "Balance, January 1, 2010" because of prior report adjustments that were not carried forward in the fund balance.

An adjustment of \$533.99 was made to "Interest on investments" because interest earned on certificates of deposit was not reported.

An adjustment of \$6,541.50 was made to "Miscellaneous" because a reimbursement from the General Fund was not reported.

TOWNSHIP OF BRATTON  
MIFFLIN COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2011

4. Adjustments (Continued)

2010 - Section 3

An adjustment of \$15,317.97 was made to “Prior year equipment balance” because of prior report adjustments that were not carried forward in the equipment balance.

2011 - Section 1

Adjustments were made to “Major equipment purchases,” “Repairs of tools and machinery,” “Maintenance and repair of roads and bridges,” “Highway construction and rebuilding projects,” and “Miscellaneous” because expenditures of \$39,835.50 were misclassified.

2011 - Section 2

An adjustment of \$6,784.58 was made to “Balance, January 1, 2011” to reflect the adjustment made to the fund balance in 2010 - Section 2.

An adjustments of \$(663.96) was made to “Interest on investments” because interest earnings were overstated.

2011 - Section 3

An adjustment of \$15,317.97 was made to “Prior year equipment balance” to reflect the adjustment made to the equipment balance in 2010 - Section 3.

An adjustment of \$8,478.60 was made to “Major equipment expenditures” to reflect the adjustment made to major equipment purchases in 2011 – Section 1.

TOWNSHIP OF BRATTON  
 MIFFLIN COUNTY  
 LIQUID FUELS TAX FUND  
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2010 TO DECEMBER 31, 2011

5. Miscellaneous Receipts

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

<u>Source</u>	<u>Description</u>	<u>2010</u>	<u>2011</u>
Local business	Sale of recycled materials	\$ 735.40	\$ -
General Fund	Reimbursement (Comment)	6,541.50	6,541.50
Resident	Sale of road materials	-	354.34
Vendor	Refund for returned equipment	-	69.67
Financial institution	Bank loan (Note 7)	-	95,000.00
Total		<u>\$7,276.90</u>	<u>\$101,965.51</u>

6. Loan

On November 29, 2010, the municipality borrowed \$150,000.00 from the Commonwealth of Pennsylvania, Department of Transportation to finance project No. 10-44202-02. The Department of Transportation has approved the use of Liquid Fuels Tax Fund money to repay \$139,934.59, plus interest, of the loan. The remaining \$10,065.11 should be paid from the municipality's General Fund. The term of the loan was for 5 years at an interest rate of 1.25 percent. Principal and interest payments of \$15,678.45 are due semi-annually.

During the current examination period the municipality paid principal of \$29,036.89 and interest of \$2,320.01 from the Liquid Fuels Tax Fund. These amounts are reflected in highway construction and rebuilding projects on the 2011 Form MS-965 - Section 1. The outstanding balance of the loan as of December 31, 2011 was \$120,963.11, plus interest. The balance eligible to be paid from the Liquid Fuels Tax Fund as of December 31, 2011, is \$110,897.70, plus interest.

7. Bank Loan

On August 24, 2011, the municipality borrowed \$95,000.00 from Kish Bank to purchase a 2011 John Deere tractor which the municipality deposited into its Liquid Fuels Tax Fund. The term of the loan was for 48 months at an interest rate of 3.55 percent. Principal and interest payments of \$2,119.65 are due monthly.

TOWNSHIP OF BRATTON  
MIFFLIN COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2011

7. Bank Loan (Continued)

During the current examination period the municipality paid principal of \$7,431.45 and interest of \$1,047.15 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2011 Form MS-965 – Section 1. The outstanding balance of the loan as of December 31, 2011 was \$87,568.55, plus interest.

TOWNSHIP OF BRATTON  
MIFFLIN COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2011

Finding No. 1 - Failure To Properly Prepare Forms MS-965

Our examination disclosed that there were numerous errors made in the preparation of the municipality's 2010 and 2011 Forms MS-965. These adjustments, which are disclosed in Note 4, are as follows:

2010 - Section 1

- Adjustments were made to "Maintenance and repair of roads and bridges" and "Highway construction and rebuilding projects" because expenditures of \$48,291.26 were misclassified.

2010 - Section 2

- An adjustment of \$(290.91) was made to "Balance, January 1, 2010" because of prior report adjustments that were not carried forward in the fund balance.
- An adjustment of \$533.99 was made to "Interest on investments" because interest earned on certificates of deposit was not reported.
- An adjustment of \$6,541.50 was made to "Miscellaneous" because a reimbursement from the General Fund was not reported.

2010 - Section 3

- An adjustment of \$15,317.97 was made to "Prior year equipment balance" because of prior report adjustments that were not carried forward in the equipment balance.

2011 - Section 1

- Adjustments were made to "Major equipment purchases," "Repairs of tools and machinery," "Maintenance and repair of roads and bridges," "Highway construction and rebuilding projects," and "Miscellaneous" because expenditures of \$39,835.50 were misclassified.

TOWNSHIP OF BRATTON  
MIFFLIN COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2011

Finding No. 1 - Failure To Properly Prepare Forms MS-965 (Continued)

2011 - Section 2

- An adjustment of \$6,784.58 was made to “Balance, January 1, 2011” to reflect the adjustment made to the fund balance in 2010 - Section 2.
- An adjustment of \$(663.96) was made to “Interest on investments” because interest earnings were overstated.

2011 - Section 3

- An adjustment of \$15,317.97 was made to “Prior year equipment balance” to reflect the adjustment made to the equipment balance in 2010 - Section 3.
- An adjustment of \$8,478.60 was made to “Major equipment expenditures” to reflect the adjustment made to major equipment purchases in 2011 - Section 1.

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

A similar finding was also written in our prior report.

Recommendation

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

Management’s Response

The secretary/treasurer stated:

I acknowledge missing figures on MS-965.

TOWNSHIP OF BRATTON  
MIFFLIN COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
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Finding No. 1 - Failure To Properly Prepare Forms MS-965 (Continued)

Auditor's Conclusion

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

TOWNSHIP OF BRATTON  
 MIFFLIN COUNTY  
 LIQUID FUELS TAX FUND  
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Finding No. 2 - Documentation For Price Quotations Was Not Available For Examination

Our examination disclosed that the township expended \$7,368.31 during 2010 and \$9,151.26 during 2011 for multiple purchases of fuel. Additionally, \$9,538.28 was expended during 2010 from the Liquid Fuels Tax Fund for multiple purchases of pipe. The township was required to obtain three written or telephonic price quotations for these expenditures. However, documentation for price quotations was not available for examination. The purchases were as follows:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>
		<u>Fuel</u>		
24998	01/17/10	1791	01/21/10	\$ 437.99
25018	01/17/10	1791	01/21/10	112.81
29610	02/03/10	1801	02/16/10	2.91
29611	02/03/10	1801	02/16/10	290.41
32138	02/09/10	1801	02/16/10	431.00
35766	02/26/10	1805	03/16/10	677.98
35767	03/11/10	1805	03/16/10	495.29
37550	03/21/10	1813	04/15/10	116.63
37549	03/21/10	1813	04/15/10	260.88
40248	04/15/10	1813	04/15/10	306.16
40249	04/15/10	1813	04/15/10	1.74
42826	05/26/10	1833	06/15/10	195.07
43720	05/09/10	1833	06/15/10	644.32
42826	07/09/10	1839	07/19/10	377.61
46079	06/25/10	1839	07/19/10	627.78
48194	08/08/10	1846	09/26/10	299.86
49536	08/05/10	1846	09/26/10	544.28
51174	09/26/10	1857	10/19/10	275.63
51471	09/23/10	1857	10/19/10	254.67
53214	10/12/10	1857	10/19/10	39.69
53215	10/12/10	1857	10/19/10	153.15
56017	11/11/10	1867	11/15/10	496.13
59349	12/09/10	1878	12/27/10	<u>326.32</u>
Total				<u>\$ 7,368.31</u>



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Finding No. 2 - Documentation For Price Quotations Was Not Available For Examination  
(Continued)

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>
		<u>Pipe</u>		
7407182-IN	05/08/10	1821	05/26/10	\$ 2,245.54
7407183-IN	05/18/10	1821	05/26/10	1,933.92
7501028-IN	09/20/10	1852	10/19/10	259.22
7501044-IN	09/20/10	1852	10/19/10	<u>5,099.60</u>
Total				<u>\$ 9,538.28</u>
		<u>Fuel</u>		
65829	01/09/11	1885	02/14/11	348.13
68470	01/26/11	1885	02/14/11	36.71
68469	02/06/11	1885	02/14/11	371.90
71174	02/02/11	1885	02/14/11	638.34
78870	02/20/11	1900	04/11/11	132.98
74472	03/04/11	1894	03/15/11	488.25
77900	03/24/11	1900	04/11/11	645.65
81066	04/17/11	1908	05/10/11	445.15
82474	04/28/11	1919	06/21/11	286.60
83188	05/25/11	1919	06/21/11	723.97
86080	06/24/11	1930	07/18/11	959.87
83788	05/15/11	1950	09/19/11	326.69
89680	08/26/11	1950	09/19/11	248.35
89163	08/04/11	1950	09/19/11	914.84
91296	09/25/11	1962	10/18/11	984.55
96943	09/25/11	1986	12/20/11	108.17
93491	10/19/11	1974	11/14/11	697.22
96939	11/13/11	1986	12/20/11	<u>793.89</u>
Total				<u>\$ 9,151.26</u>
Grand Total				<u>\$26,057.85</u>

The above expenditures were not made in compliance with the contract requirements of *The Second Class Township Code*, 53 P.S. § 68102(b), (also found at § 3102(b) of *The Second Class Township Code* as published by the Local Government Commission), which states, in part:

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Finding No. 2 - Documentation For Price Quotations Was Not Available For Examination  
(Continued)

Written or telephonic price quotations from at least three qualified and responsible contractors shall be requested for all contracts that exceed four thousand dollars (\$4,000.00) but are less than the amount [in excess of \$10,000.00] requiring advertisement and competitive bidding or, in lieu of price quotations, a memorandum shall be kept on file showing that fewer than three qualified contractors exist in the market area within which it is practicable to obtain quotations. A written record of telephonic price quotations shall be made and shall contain at least the date of the quotation, the name of the contractor and the contractor's representative, the construction, reconstruction, repair, maintenance or work which was the subject of the quotation and the price. Written price quotations, written records of telephonic price quotations and memoranda shall be retained for a period of three years.

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

...For material estimates between \$4,000 and \$10,000, three telephone price quotes shall be obtained prior to the selection of a supplier. In lieu of the price quotations, a memorandum shall be kept on file showing that fewer than three qualified contractors service the market area within which it is practicable to obtain quotations. If the cost during the year of an unadvertised item or group of like items ordinarily supplied by a single supplier exceeds \$10,000 or if the cost was between \$4,000 and \$10,000 and three price quotes were not obtained, 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 or be between \$4,000 and \$10,000 as specified above.

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 \$26,057.85 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the township reimburse \$26,057.85 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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Finding No. 2 - Documentation For Price Quotations Was Not Available For Examination  
(Continued)

Recommendations (Continued)

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:

I acknowledge that there are missing quotes.

Auditor's Conclusion

The municipality must comply with *The Second Class Township Code* and the Department of Transportation's *Publication 9* by obtaining price quotations for all purchases between \$4,000.00 and \$10,000.00. During our next examination we will determine if the municipality complied with our recommendations.

TOWNSHIP OF BRATTON  
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 COMMENT  
 FOR THE PERIOD  
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Comment – Summary Of 2003-2004 Audit Recommendations

In our 2003-2004 report we recommended that the Department of Transportation review our audit findings to determine if the municipality should reimburse \$32,707.50 to its Liquid Fuels Tax Fund. This amount consists of \$23,587.50 for purchases over \$10,000.00 without advertising for bids and failing to obtain project approval and \$9,120.00 for inappropriate use of Liquid Fuels Tax Fund money.

During our prior examination we reviewed a letter dated February 29, 2008 from the Department of Transportation informing the municipality to reimburse \$32,707.50 to its Liquid Fuels Tax Fund over a five year period. The payment schedule was as follows:

<u>Due Date</u>	<u>Amount</u>	<u>Date Paid</u>
12/31/08	\$6,541.50	12/15/08
12/31/09	6,541.50	12/18/09
12/31/10	6,541.50	12/30/10
12/31/11	6,541.50	12/27/11
12/31/12	<u>6,541.50</u>	-
	<u>\$32,707.50</u>	

As of December 31, 2011, \$6,541.50 was due the Liquid Fuels Tax Fund.

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SUMMARY OF EXIT CONFERENCE  
FOR THE PERIOD  
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An exit conference was held December 12, 2012. Those participating were:

TOWNSHIP OF BRATTON

Mrs. Claudia D. Myers, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mrs. Diane A. Bowman, Auditor

Mr. Ryan Shrauder, Auditor

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

TOWNSHIP OF BRATTON  
MIFFLIN COUNTY  
LIQUID FUELS TAX FUND  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2011

This report was initially distributed to:

The Honorable Barry J. Schoch, P.E.  
Secretary  
Department of Transportation

Township of Bratton  
Mifflin County  
133 Mountain Lane  
McVeytown, PA 17051

The Honorable Stanley Collins

Chairman of the Board of Supervisors

Mrs. Claudia D. Myers

Secretary/Treasurer

This report is a matter of public record and is available online at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: [news@auditorgen.state.pa.us](mailto:news@auditorgen.state.pa.us).