ATTESTATION ENGAGEMENT

Township of Sandy

Clearfield County, Pennsylvania

17-228

Highway Transfer Program

Agreement No. 02T984

For the Period

March 28, 2011 to January 15, 2015

May 2016

Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General

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EUGENE A. DEPASQUALE
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Leslie Richards
Secretary
Department of Transportation
Harrisburg, PA 17120

We have examined the accompanying Form MS-999 With Adjustments of the Highway Transfer Program - Turnback Account of the Township of Sandy, Clearfield County, for the period March 28, 2011 to January 15, 2015. The municipality's management is responsible for the Form MS-999. Our responsibility is to express an opinion on the Form MS-999 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 Sandy, Clearfield County's Form MS-999 for the period March 28, 2011 to January 15, 2015 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 Highway Transfer Program - Turnback Account 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 Form MS-999 With Adjustments are made by the Department of the Auditor General.

In our opinion, the Form MS-999 With Adjustments presents, in all material respects, the information required by the Pennsylvania Department of Transportation for the Highway Transfer Program - Turnback Account of the Township of Sandy, Clearfield County, for the period March 28, 2011 to January 15, 2015, in conformity with the criteria set forth in Note 1.

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-999 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-999. 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-999 is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on internal control over reporting on the Form MS-999 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 Form MS-999 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.

Our consideration of internal control over reporting on the Form MS-999 was for the limited purpose of expressing an opinion on whether the Form MS-999 is presented in accordance with the criteria described above and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our engagement we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

As part of obtaining reasonable assurance about whether the Form MS-999 is free from material misstatement, we performed tests of the Township of Sandy, Clearfield 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-999. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Independent Auditor's Report (Continued)

Our examination period reflects from the date the turnback funds were received by the Township of Sandy, Clearfield County, to the date the funds were either exhausted or the remaining funds were transferred to the township's Liquid Fuels Tax Fund. Upon the completion of the program the township filed a Final Completion Report Form MS-999 with the Department of Transportation. Our examination began shortly after we received the approved Final Completion Report Form MS-999 from the Department of Transportation.

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

We appreciate the courtesy extended by the Township of Sandy, Clearfield County, to us during the course of our examination. If you have any questions, please feel free to contact Michael B. Kashishian, CPA, CGAP, CFE, Director, Bureau of County Audits, at 717-787-1363.

February 29, 2016

Eugene A. DePasquale
Auditor General

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TOWNSHIP OF SANDY
CLEARFIELD COUNTY
HIGHWAY TRANSFER PROGRAM - TURNBACK ACCOUNT
BACKGROUND
FOR THE PERIOD
MARCH 28, 2011 TO JANUARY 15, 2015

Background

The Highway Transfer Program (more commonly known as the Highway Turnback Program) is outlined in Title 75 P.S. § 9511. It is designed to reduce the amount of state road mileage by transferring "functionally-local" roads on a cooperative, voluntary basis to local governments. When a municipality takes over a road through this program, the Department of Transportation and the municipality jointly determine the necessity and extent of any restoration or rehabilitative work required to put a state highway in satisfactory condition before it is transferred. The rehabilitative work may be done by the Department of Transportation, municipal forces, or be contracted out by either party.

If the restoration or rehabilitation is to be done by the municipality or a contractor hired by the municipality, the municipality receives funds for the work from the State Highway Transfer Restoration Restricted Receipt Account. These funds must be deposited into a separate interest-bearing Highway Transfer Account. Any funds not used for the restoration or rehabilitation of the road that was transferred to the municipality must be transferred to the township's Liquid Fuels Tax Fund.

Department of Transportation *Publication 9* contains the policies and procedures that govern the use of Highway Transfer Program money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.

TOWNSHIP OF SANDY
CLEARFIELD COUNTY
HIGHWAY TRANSFER PROGRAM - TURNBACK ACCOUNT
FORM MS-999 WITH ADJUSTMENTS
FOR THE PERIOD
MARCH 28, 2011 TO JANUARY 15, 2015

	Reported	Adjustments (Note 4)	Adjusted Amount
Cash Receipts			
Turnback grant	$ 1,200,000.00	$ -	$ 1,200,000.00
Interest (Note 2)	2,030.50	-	2,030.50
Miscellaneous	-	-	-
Total receipts	$ 1,202,030.50	$ -	$ 1,202,030.50
Cash Disbursements			
Highway construction and rebuilding	$ 1,153,081.81	$ (118.47)	$ 1,152,963.34
Unexpended balance transfer (Note 3)	48,948.69	-	48,948.69
Miscellaneous (Bank service charges)	-	118.47	118.47
Total disbursements	$ 1,202,030.50	$ -	$ 1,202,030.50

Notes to Form MS-999 With Adjustments are an integral part of this report.

TOWNSHIP OF SANDY
CLEARFIELD COUNTY
HIGHWAY TRANSFER PROGRAM - TURNBACK ACCOUNT
NOTES TO FORM MS-999 WITH ADJUSTMENTS
FOR THE PERIOD
MARCH 28, 2011 TO JANUARY 15, 2015

1. Criteria

Form MS-999 With Adjustments provides a summary of Highway Transfer Program receipts and expenditures by category. Categories requiring explanation include:

- The Turnback Grant is the grant received from the Commonwealth of Pennsylvania to be used for the restoration or rehabilitation of the road or roads transferred from the state to the municipality.

- The Unexpended balance transfer is money that was not used for the restoration or rehabilitation of the road or roads transferred from the state to the municipality that was transferred to the municipality's Liquid Fuels Tax Fund upon completion of the project.

Basis Of Presentation

The financial activities of the municipality are accounted for in separate funds. The Highway Transfer Program, Act 32 of 1983 (also referred to as Road Turnback by the Department of Transportation), provides state funds to municipal governments for the costs of restoring state highways for which ownership is turned back to the municipal government. The turnback revenues are deposited in a separate turnback account. After the highway restoration work is completed, any unexpended funds are to be transferred to the Liquid Fuels Tax Fund.

The Form MS-999 has been prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation as a result of Act 32 of 1983, which does not constitute a complete presentation of the entity's assets, liabilities, expenses, and fund balance.

Basis Of Accounting

The accompanying Form MS-999 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.

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. Interest On Investments

Our examination disclosed that the municipality deposited idle turnback money in an interest-bearing account which earned $2,030.50 during the examination period, thus providing additional funds for road maintenance.

3. Unexpended Balance

During our examination, we noted that the municipality transferred the $48,948.69 unexpended balance of the turnback account to its Liquid Fuels Tax Fund account on January 15, 2015 in accordance with Act 32 of 1983.

4. Adjustments

Adjustments were made to “Highway construction and rebuilding” and “Miscellaneous" because expenditures of $118.47 were misclassified.

TOWNSHIP OF SANDY
CLEARFIELD COUNTY
HIGHWAY TRANSFER PROGRAM - TURNBACK ACCOUNT
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
MARCH 28, 2011 TO JANUARY 15, 2015

An exit conference was held February 24, 2016. Those participating were:

TOWNSHIP OF SANDY

The Honorable James L. Jeffers, Chairman of the Board of Supervisors

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Christopher Heglen, Auditor

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

TOWNSHIP OF SANDY
CLEARFIELD COUNTY
HIGHWAY TRANSFER PROGRAM - TURNBACK ACCOUNT
REPORT DISTRIBUTION
FOR THE PERIOD
MARCH 28, 2011 TO JANUARY 15, 2015

This report was initially distributed to:

The Honorable Leslie Richards
Secretary
Department of Transportation

Township of Sandy
Clearfield County
P. O. Box 267
1094 Chestnut Avenue
DuBois, PA 15801

The Honorable James L. Jeffers
Chairman of the Board of Supervisors

Ms. Barbara D. Miller
Secretary/Treasurer

This report is a matter of public record and is available online at 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.