

TOWNSHIP OF HUSTON  
BLAIR COUNTY  
07-208

HIGHWAY TRANSFER PROGRAM  
TURNBACK ACCOUNT  
AGREEMENT NO. 098304  
EXAMINATION REPORT

FOR THE PERIOD  
JUNE 21, 2001 TO MARCH 18, 2004



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TOWNSHIP OF HUSTON  
BLAIR COUNTY  
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT  
BACKGROUND  
FOR THE PERIOD  
JUNE 21, 2001 TO MARCH 18, 2004

Background

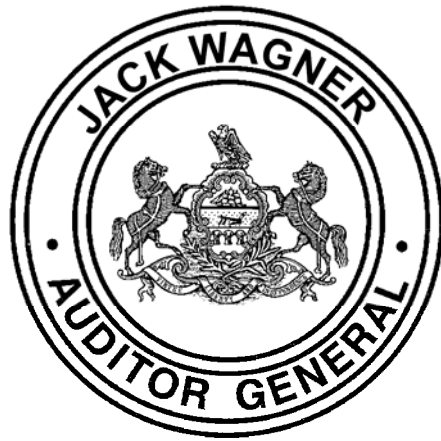
The Highway Transfer Program (more commonly known as the Highway Turnback Program) is outlined in Title 75 P.S. § 9511. It is designed to reduce the amount of state road mileage by transferring “functionally-local” roads on a cooperative, voluntary basis to local governments. When a municipality takes 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.

Examination Period

Our examination period reflects from the date the turnback funds were received by the Township of Huston to the date the remaining funds were transferred to the township’s Liquid Fuels Tax Fund after completion of the program. Our examination began shortly after we received the approved Final Completion Report Form MS-999 from the Department of Transportation after the program was completed.



## Independent Auditor's Report

The Honorable Allen D. Biehler, P.E.  
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 Huston, Blair County, for the period June 21, 2001 to March 18, 2004. 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 Huston, Blair County's Form MS-999 for the period June 21, 2001 to March 18, 2004 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*.

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 Huston, Blair County, for the period June 21, 2001 to March 18, 2004, in conformity with the criteria set forth in Note 1.

Independent Auditor's Report (Continued)

In accordance with *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to Form MS-999 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 Form MS-999 is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over Form MS-999 or on compliance and other matters; accordingly, we express no such opinion. The results of our examination disclosed no matters that are required to be reported under *Government Auditing Standards*. However, we have noted an other matter which is described, along with the views of management, in the Finding and Recommendations section of this report.

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

December 13, 2006

JACK WAGNER  
Auditor General



TOWNSHIP OF HUSTON  
 BLAIR COUNTY  
 HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT  
 FORM MS-999 WITH ADJUSTMENTS  
 FOR THE PERIOD  
 JUNE 21, 2001 TO MARCH 18, 2004

|                                      | <u>Reported</u>             | <u>Adjustments</u>          | <u>Adjusted<br/>Amount</u>  |
|--------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| <u>Cash Receipts</u>                 |                             |                             |                             |
| Turnback grant                       | \$556,934.00                | \$-                         | \$556,934.00                |
| Interest (Note 2)                    | 45,815.12                   | -                           | 45,815.12                   |
| Miscellaneous                        | -                           | -                           | -                           |
|                                      | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Total receipts                       | <u>\$602,749.12</u>         | <u>\$-</u>                  | <u>\$602,749.12</u>         |
| <br><u>Cash Disbursements</u>        |                             |                             |                             |
| Highway construction and rebuilding  | \$601,588.27                | \$-                         | \$601,588.27                |
| Unexpended balance transfer (Note 3) | 1,160.85                    | -                           | 1,160.85                    |
| Miscellaneous                        | -                           | -                           | -                           |
|                                      | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Total disbursements                  | <u>\$602,749.12</u>         | <u>\$-</u>                  | <u>\$602,749.12</u>         |

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

TOWNSHIP OF HUSTON  
BLAIR COUNTY  
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT  
NOTES TO FORM MS-999 WITH ADJUSTMENTS  
FOR THE PERIOD  
JUNE 21, 2001 TO MARCH 18, 2004

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.

TOWNSHIP OF HUSTON  
BLAIR COUNTY  
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT  
NOTES TO FORM MS-999 WITH ADJUSTMENTS  
FOR THE PERIOD  
JUNE 21, 2001 TO MARCH 18, 2004

1. Criteria (Continued)

General Fixed Assets

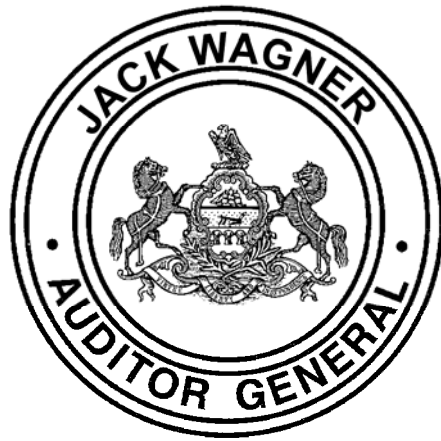
General fixed assets are recognized as expenditures at the time of purchase. No depreciation has been provided on the heavy equipment used to maintain and repair roads and bridges.

2. Interest On Investments

Our examination disclosed that the municipality deposited idle turnback money in interest-bearing accounts and a certificate of deposit which earned \$45,815.12 during the examination period, thus providing additional funds for road maintenance.

3. Unexpended Balance

During our examination, we noted that the municipality transferred the unexpended balance of \$1,160.85 in the turnback account to its Liquid Fuels Tax Fund account on March 18, 2004 in accordance with Act 32 of 1983.



TOWNSHIP OF HUSTON  
 BLAIR COUNTY  
 HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT  
 FINDING AND RECOMMENDATIONS  
 FOR THE PERIOD  
 JUNE 21, 2001 TO MARCH 18, 2004

Finding - Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements

Our examination disclosed that the township expended \$19,804.00 from the Liquid Fuels Tax Fund for equipment rental without advertising for bids. These expenditures were as follows:

| <u>Invoice<br/>Number</u> | <u>Invoice<br/>Date</u> | <u>Check<br/>Number</u> | <u>Amount</u>             |
|---------------------------|-------------------------|-------------------------|---------------------------|
| 7054                      | 03/01/02                | 7085                    | \$2,030.00                |
| 7097 & 7099               | 12/01/02                | 151                     | 9,724.00                  |
| 7166                      | 12/23/02                | 161                     | <u>8,050.00</u>           |
| Total                     |                         |                         | <u><u>\$19,804.00</u></u> |

The above purchases were not made in compliance with the advertising, bidding, and contract requirements of *The Second Class Township Code*, 53 P.S. § 68102(a), (also found at § 3102(a) of *The Second Class Township Code* as published by the Local Government Commission), which requires that purchases over \$10,000.00 must be advertised, bid, and awarded by contract. *The Second Class Township Code*, 53 P.S. § 68104, (also found at § 68104(a) of *The Second Class Township Code* as published by the Local Government Commission) further states that advertising, bidding and contract requirements should not be evaded through piecemeal purchases.

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

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

TOWNSHIP OF HUSTON  
BLAIR COUNTY  
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT  
FINDING AND RECOMMENDATIONS  
FOR THE PERIOD  
JUNE 21, 2001 TO MARCH 18, 2004

Finding - Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements (Continued)

The failure to comply with *The Second Class Township Code* and Department of Transportation *Publication 9* could result in the township having to reimburse \$19,804.00 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the township reimburse \$19,804.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

Management's Response

The secretary/treasurer stated:

The roadmaster received phone quotes from various vendors. It was the understanding of the secretary that this work could be done for under \$10,000.00. That didn't happen and unfortunately it was not written in stone.

Auditor's Conclusion

*The Second Class Township Code* and Department of Transportation *Publication 9* do require purchases in excess of \$10,000.00 to be advertised and bid.

TOWNSHIP OF HUSTON  
BLAIR COUNTY  
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT  
SUMMARY OF EXIT CONFERENCE  
FOR THE PERIOD  
JUNE 21, 2001 TO MARCH 18, 2004

An exit conference was held December 13, 2006. Those participating were:

TOWNSHIP OF HUSTON

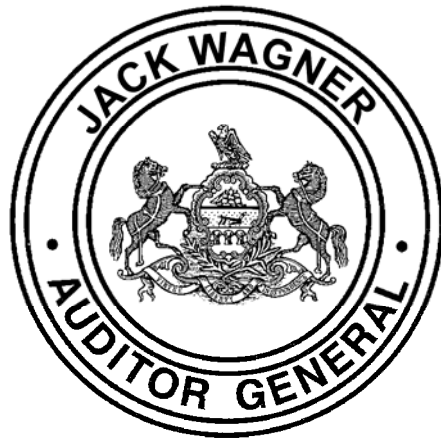
Mrs. Dorothy B. Stahl, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Michele Eilenberger, Auditor

Mr. Christopher Heglen, Auditor

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





TOWNSHIP OF HUSTON  
BLAIR COUNTY  
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JUNE 21, 2001 TO MARCH 18, 2004

This report was initially distributed to:

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

Township of Huston  
Blair County  
R.D. 2, Box 54  
Martinsburg, PA 16662

The Honorable Byron Daughenbaugh

Chairman of the Board of Supervisors

Mrs. Dorothy B. Stahl

Secretary/Treasurer

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