



TOWNSHIP OF MANN
BEDFORD COUNTY
05-216

HIGHWAY TRANSFER PROGRAM
AGREEMENT NO. M098324000
TURNBACK ACCOUNT
EXAMINATION REPORT

FOR THE PERIOD
NOVEMBER 6, 2008 TO JULY 27, 2009

CONTENTS

	<u>Page</u>
Background.....	1
Independent Auditor's Report	3
Financial Section:	
Form MS-999 With Adjustments	7
Notes To Form MS-999 With Adjustments.....	8
Finding And Recommendations:	
Finding - Documentation For Price Quotations Was Not Available For Examination.....	11
Summary Of Exit Conference.....	14
Report Distribution	15

TOWNSHIP OF MANN
BEDFORD COUNTY
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
BACKGROUND
FOR THE PERIOD
NOVEMBER 6, 2008 TO JULY 27, 2009

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.





**Department of the Auditor General
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120-0018**

**JACK WAGNER
AUDITOR GENERAL**

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 Mann, Bedford County, for the period November 6, 2008 to July 27, 2009. 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 Mann, Bedford County's Form MS-999 for the period November 6, 2008 to July 27, 2009 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.

Independent Auditor's Report (Continued)

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 Mann, Bedford County, for the period November 6, 2008 to July 27, 2009, 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 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 the 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 reporting on the Form MS-999 or on compliance and other matters; accordingly, we express no such opinions.

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 Mann, Bedford 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 Mann, Bedford County's Form MS-999 that is more than inconsequential will not be prevented or detected by the Township of Mann, Bedford County's internal control.

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 Form MS-999 will not be prevented or detected by the Township of Mann, Bedford County's internal control.

Our consideration of internal control over reporting on the Form MS-999 was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any significant deficiencies or material weaknesses, as defined above, in internal control over reporting on the Form MS-999.

Independent Auditor's Report (Continued)

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we did note an other matter that, while not required to be included in this report by *Government Auditing Standards*, has been included in the finding below:

- Documentation For Price Quotations Was Not Available For Examination.

Our examination period reflects from the date the turnback funds were received by the Township of Mann, Bedford 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 Mann, Bedford County, and is not intended to be and should not be used by anyone other than these specified parties.

September 2, 2010

JACK WAGNER
Auditor General



TOWNSHIP OF MANN
 BEDFORD COUNTY
 HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
 FORM MS-999 WITH ADJUSTMENTS
 FOR THE PERIOD
 NOVEMBER 6, 2008 TO JULY 27, 2009

	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
<u>Cash Receipts</u>			
Turnback grant	\$ 681,450.00	\$ -	\$ 681,450.00
Interest (Note 2)	8,658.24	-	8,658.24
Miscellaneous	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total receipts	<u>\$ 690,108.24</u>	<u>\$ -</u>	<u>\$ 690,108.24</u>
 <u>Cash Disbursements</u>			
Highway construction and rebuilding	\$ 375,539.24	\$ (186.20)	\$ 375,353.04
Unexpended balance transfer (Note 3)	314,569.00	186.20	314,755.20
Miscellaneous	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total disbursements	<u>\$ 690,108.24</u>	<u>\$ -</u>	<u>\$ 690,108.24</u>

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

TOWNSHIP OF MANN
BEDFORD COUNTY
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
NOTES TO FORM MS-999 WITH ADJUSTMENTS
FOR THE PERIOD
NOVEMBER 6, 2008 TO JULY 27, 2009

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 MANN
BEDFORD COUNTY
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
NOTES TO FORM MS-999 WITH ADJUSTMENTS
FOR THE PERIOD
NOVEMBER 6, 2008 TO JULY 27, 2009

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 and certificates of deposit which earned \$8,658.24 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 \$314,755.20 in the turnback account to its Liquid Fuels Tax Fund account on July 27, 2009 in accordance with Act 32 of 1983.

4. Adjustments

An adjustment of \$(186.20) was made to “Highway construction and rebuilding” because check No. 1634 was reported as \$1,300.00 but was issued for \$1,113.67 and check No. 1635 was reported as \$262.00 but was issued for \$262.13.

An adjustment of \$186.20 was made to “Unexpended balance transfer” because the transfer was understated.



TOWNSHIP OF MANN
 BEDFORD COUNTY
 HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
 FINDING AND RECOMMENDATIONS
 FOR THE PERIOD
 NOVEMBER 6, 2008 TO JULY 27, 2009

Finding - Documentation For Price Quotations Was Not Available For Examination

Our examination disclosed that during 2009 the township expended \$9,000.00 from the Liquid Fuels Tax Fund for the payment of road maintenance and skid shovel work. The township was required to obtain three written or telephonic price quotations for these purchases. 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>
219002	05/27/09	1637	05/28/09	\$7,500.00
6407-4	07/27/09	1672	07/27/09	1,500.00
				<u>\$9,000.00</u>
Total				

The above purchases 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:

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

TOWNSHIP OF MANN
BEDFORD COUNTY
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
FINDING AND RECOMMENDATIONS
FOR THE PERIOD
NOVEMBER 6, 2008 TO JULY 27, 2009

Finding - Documentation For Price Quotations Was Not Available For Examination
(Continued)

...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 \$9,000.00 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the township reimburse \$9,000.00 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 the Department of Transportation's *Publication 9* as noted in this finding.

Management's Response

The secretary stated:

On this job that is in question, the gentleman who performed the work for our township was the only available source in our area. At the time, I didn't know I needed a quote from him or I would have made sure this was done.

TOWNSHIP OF MANN
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FINDING AND RECOMMENDATIONS
FOR THE PERIOD
NOVEMBER 6, 2008 TO JULY 27, 2009

Finding - Documentation For Price Quotations Was Not Available For Examination
(Continued)

Auditor's Conclusion

The Department of Transportation's *Publication 9* states that 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. The township had neither price quotations nor a memorandum available for examination.

TOWNSHIP OF MANN
BEDFORD COUNTY
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
NOVEMBER 6, 2008 TO JULY 27, 2009

An exit conference was held September 2, 2010. Those participating were:

TOWNSHIP OF MANN

Mrs. Melissa L. Singleton, Secretary

DEPARTMENT OF THE AUDITOR GENERAL

Michele A. Eilenberger, CFE, Auditor

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

TOWNSHIP OF MANN
BEDFORD COUNTY
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
REPORT DISTRIBUTION
FOR THE PERIOD
NOVEMBER 6, 2008 TO JULY 27, 2009

This report was initially distributed to:

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

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

The Honorable Richard T. Talbert

Chairman of the Board of Supervisors

Mrs. Melissa L. Singleton

Secretary

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.