

# ATTESTATION ENGAGEMENT

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Township of Mann  
Bedford County, Pennsylvania  
05-216  
Highway Transfer Program  
Agreement No. 097100  
For the Period  
March 17, 2015 to October 29, 2015

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January 2018



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 PR-999T With Adjustments of the Highway Transfer Program - Turnback Account of the Township of Mann, Bedford County, for the period March 17, 2015 to October 29, 2015. The municipality's management is responsible for presenting the Form PR-999T in accordance with the criteria set forth in Note 1. Our responsibility is to express an opinion on the Form PR-999T 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 PR-999T is presented in accordance with the criteria described above, in all material respects. An examination involves performing procedures to obtain evidence about the Form PR-999T. 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 PR-999T, 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 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 3, the adjustments included on the Form PR-999T With Adjustments are made by the Department of the Auditor General.

## Independent Auditor's Report (Continued)

As discussed in the Finding and Recommendations section of this report, the township expended \$37,952.14 for driving surface aggregate without advertising and bidding.

In our opinion, except for the matter discussed in the preceding paragraph, the Form PR-999T 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 March 17, 2015 to October 29, 2015, in accordance 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 PR-999T; 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 PR-999T. 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 PR-999T 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 PR-999T 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 PR-999T 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 PR-999T was for the limited purpose of expressing an opinion on whether the Form PR-999T 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.

## Independent Auditor's Report (Continued)

As part of obtaining reasonable assurance about whether the Form PR-999T 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 PR-999T. 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*:

- Noncompliance With Advertising And Bidding Requirements.

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 PR-999T with the Department of Transportation. Our examination began shortly after we received the approved Final Completion Report Form PR-999T from the Department of Transportation.

The purpose of this report is to determine whether the municipality's Turnback Account 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 310*. 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 Michael B. Kashishian, CPA, CGAP, CFE, Director, Bureau of County Audits, at 717-787-1363.



Eugene A. DePasquale  
Auditor General

January 18, 2018

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TOWNSHIP OF MANN  
BEDFORD COUNTY  
HIGHWAY TRANSFER PROGRAM - TURNBACK ACCOUNT  
BACKGROUND  
FOR THE PERIOD  
MARCH 17, 2015 TO OCTOBER 29, 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 MANN  
 BEDFORD COUNTY  
 HIGHWAY TRANSFER PROGRAM - TURNBACK ACCOUNT  
 FORM PR-999T WITH ADJUSTMENTS  
 FOR THE PERIOD  
 MARCH 17, 2015 TO OCTOBER 29, 2015

	Reported	Adjustments (Note 3)	Adjusted Amount
<u>Cash Receipts</u>			
Turnback grant	\$ 92,374.00	\$ -	\$ 92,374.00
Interest	-	-	-
Miscellaneous	319.84	(319.84)	-
Total receipts	\$ 92,693.84	\$ (319.84)	\$ 92,374.00
 <u>Cash Disbursements</u>			
Highway construction and rebuilding	\$ 82,471.30	\$ (20,797.60)	\$ 61,673.70
Unexpended balance transfer (Note 2)	10,222.53	20,477.77	30,700.30
Miscellaneous	-	-	-
Total disbursements	\$ 92,693.83	\$ (319.83)	\$ 92,374.00

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

TOWNSHIP OF MANN  
BEDFORD COUNTY  
HIGHWAY TRANSFER PROGRAM - TURNBACK ACCOUNT  
NOTES TO FORM PR-999T WITH ADJUSTMENTS  
FOR THE PERIOD  
MARCH 17, 2015 TO OCTOBER 29, 2015

1. Criteria

Form PR-999T 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 PR-999T 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 PR-999T 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  
HIGHWAY TRANSFER PROGRAM - TURNBACK ACCOUNT  
NOTES TO FORM PR-999T WITH ADJUSTMENTS  
FOR THE PERIOD  
MARCH 17, 2015 TO OCTOBER 29, 2015

2. Unexpended Balance

On March 17, 2015, we noted that the municipality deposited the turnback grant of \$92,374.00 into the Liquid Fuels Tax Fund. During 2015, the municipality paid turnback expenditures totaling \$61,673.70 from the Liquid Fuels Tax Fund account. The final turnback expense was paid on October 29, 2015 and the unexpended balance of \$30,700.30 remained in the Liquid Fuels Tax Fund account in accordance with Act 32 of 1983.

3. Adjustments

An adjustment of \$(319.84) was made to "Miscellaneous" because these receipts were overstated.

An adjustment of \$(20,797.60) was made to "Highway construction and rebuilding" because these expenditures were overstated.

An adjustment of \$20,477.77 was made to "Unexpended balance transfer" because the unexpended balance was understated.

TOWNSHIP OF MANN  
 BEDFORD COUNTY  
 HIGHWAY TRANSFER PROGRAM - TURNBACK ACCOUNT  
 FINDING AND RECOMMENDATIONS  
 FOR THE PERIOD  
 MARCH 17, 2015 TO OCTOBER 29, 2015

**Finding - Noncompliance With Advertising And Bidding Requirements**

Our examination disclosed that the township expended \$37,952.14 during 2015 from the Turnback Fund for the purchase of driving surface aggregate without advertising for bids. These expenditures were as follows:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>
6149417	08/17/2015	5491	08/27/2015	\$ 6,913.42
6151107	08/18/2015	5491	08/27/2015	7,220.32
6152595	08/19/2015	5491	08/27/2015	3,997.00
6159106	08/26/2015	5503	09/24/2015	777.08
6156391	08/24/2015	5503	09/24/2015	761.60
1739	09/02/2015	5494	08/27/2015	18,282.72
Total				\$37,952.14

The above expenditures 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 \$18,500.00 during 2012 must be advertised, bid, and awarded by contract. The bidding threshold increased to purchases over 19,400.00 for 2015 and 2016. *The Second Class Township Code*, 53 P.S. § 68104(a), (also found at § 3104(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.

The failure to comply with *The Second Class Township Code* could result in the township having to reimburse \$37,952.14 to its Liquid Fuels Tax Fund.

**Recommendations**

We recommend that the township reimburse \$37,952.14 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the township complies with *The Second Class Township Code* as noted in this finding.

**Management's Response**

The township officials stated:

No comment. I agree with the auditor's report and findings.

TOWNSHIP OF MANN  
BEDFORD COUNTY  
HIGHWAY TRANSFER PROGRAM - TURNBACK ACCOUNT  
FINDING AND RECOMMENDATIONS  
FOR THE PERIOD  
MARCH 17, 2015 TO OCTOBER 29, 2015

**Finding - Noncompliance With Advertising And Bidding Requirements (Continued)**

Auditor's Comment

During our next liquid fuels examination we will determine if the township complied with our recommendations.

TOWNSHIP OF MANN  
BEDFORD COUNTY  
HIGHWAY TRANSFER PROGRAM - TURNBACK ACCOUNT  
SUMMARY OF EXIT CONFERENCE  
FOR THE PERIOD  
MARCH 17, 2015 TO OCTOBER 29, 2015

An exit conference was held November 30, 2017. Those participating were:

TOWNSHIP OF MANN

Ms. Melissa Singleton, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Michele Garman, CFE, Audit Supervisor

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  
MARCH 17, 2015 TO OCTOBER 29, 2015

This report was initially distributed to:

**The Honorable Leslie Richards**  
Secretary  
Department of Transportation

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

**The Honorable Ty Jay**  
Chairman of the Board of Supervisors

**Ms. Melissa Singleton**  
Secretary/Treasurer

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).