

TOWNSHIP OF WEST SADBURY
CHESTER COUNTY
15-252

HIGHWAY TRANSFER PROGRAM
TURNBACK ACCOUNT
AGREEMENT NO. 062757
EXAMINATION REPORT

FOR THE PERIOD
JULY 27, 1999 TO OCTOBER 20, 2004

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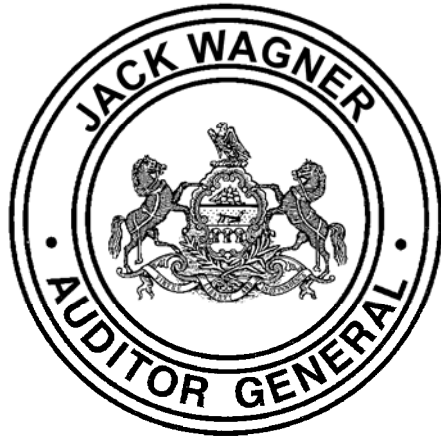
TOWNSHIP OF WEST SADBURY
CHESTER COUNTY
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
BACKGROUND
FOR THE PERIOD
JULY 27, 1999 TO OCTOBER 20, 2004

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.



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 West Sadsbury, Chester County, for the period July 27, 1999 to October 20, 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 West Sadsbury, Chester County's Form MS-999 for the period July 27, 1999 to October 20, 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*.

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 West Sadsbury, Chester County, for the period July 27, 1999 to October 20, 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. Our examination disclosed a certain finding that is required to be reported under *Government Auditing Standards*, and that finding, along with the views of management, is described in the Finding and Recommendation 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 West Sadsbury, Chester County, and is not intended to be and should not be used by anyone other than these specified parties.

September 28, 2006

JACK WAGNER
Auditor General

TOWNSHIP OF WEST SADBURY
 CHESTER COUNTY
 HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
 FORM MS-999 WITH ADJUSTMENTS
 FOR THE PERIOD
 JULY 27, 1999 TO OCTOBER 20, 2004

	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
<u>Cash Receipts</u>			
Turnback grant	\$300,000.00	\$ -	\$300,000.00
Interest (Note 2)	40,074.82	512.16	40,586.98
Miscellaneous (Note 5)	-	56,641.51	56,641.51
	<u> </u>	<u> </u>	<u> </u>
Total receipts	<u>\$340,074.82</u>	<u>\$57,153.67</u>	<u>\$397,228.49</u>
 <u>Cash Disbursements</u>			
Highway construction and rebuilding	\$223,507.22	\$ (809.64)	\$222,697.58
Unexpended balance transfer (Note 3)	116,567.60	-	116,567.60
Miscellaneous (Note 6)	-	57,963.31	57,963.31
	<u> </u>	<u> </u>	<u> </u>
Total disbursements	<u>\$340,074.82</u>	<u>\$57,153.67</u>	<u>\$397,228.49</u>

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

TOWNSHIP OF WEST SADBURY
CHESTER COUNTY
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
NOTES TO FORM MS-999 WITH ADJUSTMENTS
FOR THE PERIOD
JULY 27, 1999 TO OCTOBER 20, 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 WEST SADBURY
CHESTER COUNTY
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
NOTES TO FORM MS-999 WITH ADJUSTMENTS
FOR THE PERIOD
JULY 27, 1999 TO OCTOBER 20, 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 an interest-bearing account which earned \$40,586.98 during the examination period, thus providing additional funds for road maintenance.

3. Unexpended Balance

During our examination, we noted that the municipality transferred the \$116,567.60 unexpended balance of the turnback account to its Liquid Fuels Tax Fund account on October 20, 2004 in accordance with Act 32 of 1983.

4. Adjustments

An adjustment of \$512.16 was made to “Interest” because interest earnings were understated.

An adjustment of \$56,641.51 was made to “Miscellaneous” because these receipts were not reported (see Note 5).

An adjustment of \$(809.64) was made to “Highway construction and rebuilding” because these expenditures were overstated.

An adjustment of \$57,963.31 was made to “Miscellaneous” expenditures because these expenditures were not reported (see Note 6).

TOWNSHIP OF WEST SADBURY
 CHESTER COUNTY
 HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
 NOTES TO FORM MS-999 WITH ADJUSTMENTS
 FOR THE PERIOD
 JULY 27, 1999 TO OCTOBER 20, 2004

5. Miscellaneous Receipts

The following miscellaneous receipts were deposited into the turnback account during the examination period:

<u>Source</u>	<u>Description</u>	<u>Amount</u>
General Fund	Deposit in error	\$24,689.00
General Fund	Reimbursement (see Finding)	<u>31,952.51</u>
Total		<u><u>\$56,641.51</u></u>

6. Miscellaneous Expenditures

The following miscellaneous expenditures were paid from the turnback account during the examination period:

<u>Payee</u>	<u>Description</u>	<u>Amount</u>
General Fund	Reimbursement for a deposit in error	\$24,688.92
Vendor	Nonpermissible expenditure (see Finding)	<u>33,274.39</u>
Total		<u><u>\$57,963.31</u></u>

TOWNSHIP OF WEST SADBURY
CHESTER COUNTY
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
FINDING AND RECOMMENDATION
FOR THE PERIOD
JULY 27, 1999 TO OCTOBER 20, 2004

Finding - Nonpermissible Expenditure

Our examination disclosed that on July 8, 2002 the municipality transferred \$33,274.39 from the Turnback Fund to the Liquid Fuels Tax Fund for road reconstruction that was not part of the designated turnback roads, which is a nonpermissible expenditure.

The Department of Transportation has been statutorily authorized to promulgate regulations concerning the administration of Turnback Fund money and has determined that certain items, including funds expended for unallocated Turnback roads, are outside the scope of permissible expenditures.

On October 19, 2004, the municipality transferred \$31,952.51 from its General Fund to its Turnback Fund, leaving a balance due the Turnback Fund of \$1,321.88. Because the unexpended balance in the Turnback Fund of \$116,567.60 was transferred to the municipality's Liquid Fuels Tax Fund on October 20, 2004, reimbursement of the remaining \$1,321.88 will not be required (see Note 3).

Recommendation

We further recommend that, in the future, the municipality comply with the Turnback Fund Regulations and Department of Transportation Regulations regarding permissible expenditures.

Management's Response

The municipal officials stated:

The Turnback Funds were used in error on a non-turnback road. Officials were unable to determine or recall why the full amount of the transfer was not reimbursed.

TOWNSHIP OF WEST SADBURY
CHESTER COUNTY
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JULY 27, 1999 TO OCTOBER 20, 2004

An exit conference was held September 28, 2006. Those participating were:

TOWNSHIP OF WEST SADBURY

Mrs. Cynthia Mammarella, Secretary

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Edward P. Costello, Audit Supervisor

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

TOWNSHIP OF WEST SADBURY
CHESTER COUNTY
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
REPORT DISTRIBUTION
FOR THE PERIOD
JULY 27, 1999 TO OCTOBER 20, 2004

This report was initially distributed to:

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

Township of West Sadsbury
Chester County
6400 North Moscow Road
Parkesburg, PA 19365

The Honorable James Landis

Chairman of the Board of Supervisors

Mrs. Cynthia Mammarella

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.