

ATTESTATION ENGAGEMENT

Township of Washington
Westmoreland County, Pennsylvania
64-219

Highway Transfer Program
Agreement No. 3900038738

For the Period
July 24, 2019 to December 30, 2020

January 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



Commonwealth of Pennsylvania
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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Yassmin Gramian, P.E.
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 Washington, Westmoreland County, for the period July 24, 2019 to December 30, 2020. The municipality's management is responsible for presenting the Form PR-999T in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 310*. 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.

As described in the Auditor Description Of Select Transactions section of this report, the adjustments included on the Form PR-999T With Adjustments are made by the Department of the Auditor General.

In our opinion, 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 Washington, Westmoreland County, for the period July 24, 2019 to December 30, 2020, in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 310*.

Independent Auditor's Report (Continued)

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 the 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 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 was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the finding listed below, that we consider to be a significant deficiency in internal control:

- Documentation Supporting Payroll Expenditures Was Not Available For Examination.

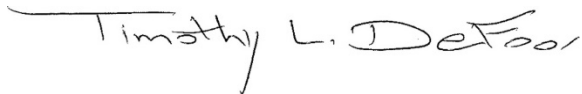
As part of obtaining reasonable assurance about whether the Form PR-999T is free from material misstatement, we performed tests of the Township of Washington, Westmoreland County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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 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 Washington, Westmoreland 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 Washington, Westmoreland County, to us during the course of our examination. If you have any questions, please feel free to contact the Bureau of County Audits at 717-787-1363.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor
Auditor General
December 29, 2021

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TOWNSHIP OF WASHINGTON
WESTMORELAND COUNTY
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
BACKGROUND
FOR THE PERIOD
JULY 24, 2019 TO DECEMBER 30, 2020

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 310* contains the policies and procedures that govern the use of Highway Transfer Program money. However, if there is a difference between *Publication 310* and any legislation, the legislation shall govern.

Criteria

The criteria for the Form MS-965 With Adjustment are described below.

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.

TOWNSHIP OF WASHINGTON
WESTMORELAND COUNTY
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
BACKGROUND
FOR THE PERIOD
JULY 24, 2019 TO DECEMBER 30, 2020

Background (Continued)

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 WASHINGTON
WESTMORELAND COUNTY
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
FORM PR-999T WITH ADJUSTMENTS
FOR THE PERIOD
JULY 24, 2019 TO DECEMBER 30, 2020

	Reported	Adjustments	Adjusted Amount
<u>Cash Receipts</u>			
Turnback grant	\$ 67,059.38	\$ -	\$ 67,059.38
Interest	220.15	5.55	225.70
Miscellaneous	-	47,902.48	47,902.48
	\$ 67,279.53	\$ 47,908.03	\$ 115,187.56
Total receipts	\$ 67,279.53	\$ 47,908.03	\$ 115,187.56
 <u>Cash Disbursements</u>			
Highway construction and rebuilding	\$ 46,849.20	\$ -	\$ 46,849.20
Unexpended balance transfer	27,913.83	-	27,913.83
Miscellaneous	16.50	40,408.03	40,424.53
	\$ 74,779.53	\$ 40,408.03	\$ 115,187.56
Total disbursements	\$ 74,779.53	\$ 40,408.03	\$ 115,187.56

TOWNSHIP OF WASHINGTON
 WESTMORELAND COUNTY
 HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
 AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
 FOR THE PERIOD
 JULY 24, 2019 TO DECEMBER 30, 2020

The following information relates to certain types of transactions for which the Pennsylvania Department of Transportation requested that we provide additional detail.

Unexpended Balance

During our examination, we noted that the municipality transferred the unexpended balance of \$27,913.83 from the Turnback Fund account to the Liquid Fuels Tax Fund account on December 30, 2020, in accordance with Act 32 of 1983.

Adjustments

An adjustment of \$5.55 was made to “Interest on investments” because interest earnings were understated.

An adjustment of \$47,902.48 was made to “Miscellaneous” receipts because a temporary loan of \$7,500.00 was not reported, a grant of \$7,500.00 was not reported, and the correction of a transfer in error of \$32,902.48 was not reported.

An adjustment of \$40,408.03 was made to “Miscellaneous” expenditures because the repayment of a temporary loan plus interest totaling \$7,505.55 was not reported and a transfer in error of \$32,902.48 was not reported.

Miscellaneous Receipts

The following miscellaneous receipts were deposited into the Turnback Fund during the examination period:

<u>Source</u>	<u>Description</u>	<u>Amount</u>
Road Paving Project Fund	Temporary loan	\$ 7,500.00
Road Paving Project Fund	Grant	7,500.00
Liquid Fuels Tax Fund	Correction of transfer in error	32,902.48
Total		<u><u>\$47,902.48</u></u>

TOWNSHIP OF WASHINGTON
 WESTMORELAND COUNTY
 HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
 AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
 FOR THE PERIOD
 JULY 24, 2019 TO DECEMBER 30, 2020

Miscellaneous Expenditures

The following miscellaneous expenditures were paid from the Turnback Fund Fund during the examination period:

<u>Payee</u>	<u>Description</u>	<u>Amount</u>
Road Paving Project Fund	Repayment of temporary loan	\$ 7,505.55
Liquid Fuels Tax Fund	Transfer in error	32,902.48
Financial Institution	Bank service chargers	<u>16.50</u>
Total		<u><u>\$40,424.53</u></u>

Temporary Loan

On May 24, 2019, the municipality loaned \$7,500.00 from its Road Paving Project Fund to its Turnback Fund. On July 31, 2019, the municipality transferred \$7,505.55, which included \$5.55 in accrued interest, to its Road Paving Project Fund to repay the temporary loan.

Transfer In Error

On January 9, 2020, the municipality transferred \$32,902.48 from its Turnback Fund to its Liquid Fuels Tax Fund in error. On March 5, 2020, the municipality transferred this amount from its Liquid Fuels Tax Fund to its Turnback Fund to correct the transfer in error.

TOWNSHIP OF WASHINGTON
WESTMORELAND COUNTY
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
FINDING AND RECOMMENDATION
FOR THE PERIOD
JULY 24, 2019 TO DECEMBER 30, 2020

Finding - Documentation Supporting Payroll Expenditures Was Not Available For Examination

Our examination disclosed that the municipality expended \$2,349.70 during 2020 from its Turnback Fund for payroll. However, the municipality did not maintain daily payroll time sheets identifying the nature of work performed and the location of work assignments.

Good internal control procedures over payroll ensure that there is documentation identifying the nature of the work performed and location of work assignments.

The Liquid Fuels Tax Municipal Allocation Law, 72 P.S. § 2615.4, provides, in part, that monies herein allocated may be used only for construction, reconstruction, maintenance and repairs of such public roads or streets, including bridges, culverts and drainage structures, for which they are legally responsible. Also permitted are expenditures involving acquisition, maintenance, repairs and operation of street signs, traffic signs, traffic signal control systems, road equipment, and snow fences.

The Department of Transportation has been statutorily authorized to promulgate regulations concerning the administration of Liquid Fuels Tax Fund money and has determined that certain items, including expenditures made without supporting documentation, are outside the scope of permissible expenditures.

Without payroll documentation that includes daily time sheets that identify the nature of work performed and the location of work assignments, we could not determine if the payroll expenditures were permissible according to the Liquid Fuels Tax Municipal Allocation Law.

This condition occurred because this was the township's first time administering a Turnback project and they were unsure of the procedures required by the Pennsylvania Department of Transportation for record keeping.

The municipality reimbursed \$2,349.70 to the Liquid Fuels Tax Fund on September 20, 2021, which was subsequent to our examination period.

TOWNSHIP OF WASHINGTON
WESTMORELAND COUNTY
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
FINDING AND RECOMMENDATION
FOR THE PERIOD
JULY 24, 2019 TO DECEMBER 30, 2020

Finding - Documentation Supporting Payroll Expenditures Was Not Available For Examination (Continued)

Recommendation

We recommend that the municipality ensure good internal control over payroll by maintaining daily time sheets that identify the nature of work performed and the location of work assignments.

Management's Response

The municipal officials stated:

In the future, we will retain proper documentation by ensuring each employee provides specific details on their time reports

Auditor's Conclusion

The municipality should ensure good internal control over its expenditures by ensuring documentation supporting all expenditures is created and maintained.

TOWNSHIP OF WASHINGTON
WESTMORELAND COUNTY
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JULY 24, 2019 TO DECEMBER 30, 2020

An exit conference was held December 8, 2021. Those participating were:

TOWNSHIP OF WASHINGTON

The Honorable Richard C. Gardner, Chairman of the Board of Supervisors

The Honorable Joseph D. Olszewski, Vice-Chairman of the Board of Supervisors

Ms. Lynn A. Stascak, Administrator/Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mrs. Michele Simpson, Auditor

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

TOWNSHIP OF WASHINGTON
WESTMORELAND COUNTY
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
REPORT DISTRIBUTION
FOR THE PERIOD
JULY 24, 2019 TO DECEMBER 30, 2020

This report was initially distributed to:

The Honorable Yassmin Gramian, P.E.
Secretary
Department of Transportation

Township of Washington
Westmoreland County
285 Pine Run Church Road
Apollo, PA 15613-8809

The Honorable Richard C. Gardner
Chairman of the Board of Supervisors

The Honorable Joseph D. Olszewski
Vice-Chairman of the Board of Supervisors

Ms. Lynn A. Stascak
Administrator/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.