

# Budgets, Appropriations, and Cost Records for County Highway Departments

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The framework for successful operation of the Highway Department begins with the budget. Because of the fact that the funds coming into the county for highway purposes cannot be used for any other function, it is too often taken for granted that budgetary control can be passed over lightly. The result is short-sighted planning, misunderstanding in the council meetings, and inferior over-all operation.

Whereas the cities of the state may draw upon four funds in addition to issuing bonds, the counties have but one source for road work and reach out to two additional sources for funds related to bridges. Only by proper budgeting can maximum results be obtained.

The procedure of budgeting is no different today from what it has been for many years, but the importance of its control has become magnified by the enactment of Chapter 229 of the Acts of 1961. We are not planning revision of budget forms this year. Although this may be contrary to previous statements, our decision was reached with the expectation of legislation in 1963 which might change the procedure.

At present there is no authority for local boards to transfer or re-allocate items of the budget. Approval must be obtained from the State Board of Tax Commissioners, as has been done in past years. From the number of inquiries reaching us at the Board of Accounts it is clearly evident that the word has passed around that counties must now make a complete report annually. The effect of these reports, when taken in entirety, can exert a far-reaching influence on legislation of future years. So, as the *Highway Extension News* pointed out in its February issue, if you do not have a highway clerk that is capable of handling the new system of records, the time has come to get that kind of help.

A budget is a composite of appropriations, which means authority to disburse funds for a specific purpose. The manner in which you request such authority has a great deal of influence on the resulting

budget. This is particularly true with relation to contractual services, materials, and properties. In recent years we have observed a trend toward planning road maintenance on a unit project basis, or a designated segment of road which will be done under individual contract by a reputable firm. This we believe to be the best approach to close accounting and it is to be preferred over a general undefined contract for repairs on a unit basis of material cost and application.

By anticipation of the work to be done in the budget year, outside of emergency, the board of commissioners and the highway supervisor can show the council in exact dimensions what is requested for maintenance. The same procedure extends to construction of new roads.

For small upkeep and maintenance jobs normally planned for force labor, the materials required are requisitioned before the beginning of the year. Such requisitions must have attached detailed specifications which are recognized, *standard* specifications and which allow competitive bidding. The exact quantities as closely as can be determined should be stated, and in all cases the quantity must be "x" gallons (or tons) or less. Never should a figure "x" gallons, more or less, be considered. The word "more" in this consideration defeats entirely the spirit of competition.

The board may enter into a contract at the bid price for a quantity less than the quantity estimated in the requisition and may purchase by two or more contracts with the successful bidder quantities up to the limit requisitioned, but it cannot enter into any contract for a larger quantity than was requisitioned. Awards of contracts to two or more bidders for the same commodity would likewise be limited to the total quantity of the requisition. No contract may be made for amounts in excess of the appropriation available at the time the contract is awarded. This points up the necessity for carefully considering the work to be done and supporting your request for *appropriation* by an intelligent project plan.

The commissioners have the right to enter into a contract with the lowest and *best* bidder, but if the *low* bid is rejected the board must state in its Bidders Record its reasons for rejection of such bid.

County auditors should use extreme caution in observing laws pertaining to bids and contracts since the statutes require that "the county auditor shall draw his warrant in payment of any claims filed against any appropriation for the repair and maintenance of county highways *only* after the provisions of controlling acts have been complied with."

The purchase of "properties" or "equipment" presents a special study, in consideration of the distinction between the possible items to be included. "Properties" is a general heading, and includes both *buildings and structures* and *equipment* in detail.

In order for the budget to set forth clearly the purchases planned for the operating year the items of "equipment" should be individually listed and presented in the same form as an inventory. To request a lump sum, with no identification of detail, not only reflects poor planning but at once invites action by the council to reduce arbitrarily such request.

No particular gain may result from the council's action in reducing budget requests since it so often becomes necessary to secure additional appropriations, but it does happen regularly in many counties that the council does make certain cuts. The best way to assure a flexible budget and avoid delays arising from additional requests is to present a clear concise budget request in the first instance.

It is extremely timely to discuss "specifications" at this point. Any purchase that will be made as a result of bidding by competitive firms must be accurately and completely described. Bituminous materials, whether to be applied or purchased in quantities, are of one type or another as recognized by the industry. Gravel follows the size required, and all types of other materials follow some identification as to class, type, size, or consistency. Tires follow the trade description as to ply, size, and kind; batteries are purchased by their capacity; paint for the purpose desired, bridges, buildings, striping, etc.; lumber, for the use required, bridges, buildings, etc.; automotive supplies according to property owned and as catalogued, and all the way down the list. The same accuracy should exist as would be required in ordering from a parts list or catalog.

Authority to purchase supplies, tools, materials, and equipment without receiving bids and awarding contracts is limited to \$1,000 on any purchase, and it is expressly provided that any purchase on the open market under two or more invoices totalling in excess of \$1,000 is prohibited. The effect of such law is to require that purchases must be made pursuant to contracts awarded or purchases up to \$1,000 as authorized by the board of commissioners.

Repair parts for machinery and equipment which can be procured only from the manufacturer of such equipment may be purchased on the open market without receiving bids, but it is suggested that the board place in its minutes the firms from which such purchases may be made.

Supplies, tools, and materials not exceeding a total value of \$500 in any one month may be authorized by the board of commissioners without receiving bids. This limitation is upon total purchases and not a single purchase.

Regardless of the manner of purchasing, or the exercise of authority in making such purchase, the invoice should be carefully studied as to the applicable appropriation to be charged. There are no miscellaneous or contingency clearing accounts.

Since Chapter 229 requires an annual cost computation for each mile of road and each bridge, it becomes the duty of the supervisor to inform his clerk definitely regarding the budget item properly chargeable. *Construction* makes up one medium of accounting; *maintenance and repair* make up an entirely different one.

In conclusion, let me again emphasize the importance of clear specifications. Tell the bidder and the citizens of your county exactly what you intend to buy, and insist on getting just that; no substitutes, no extras, no deletions just for the sake of tailoring a proposal to fit an appropriation. Make your appropriation accurately, and purchase according to law.