

**County of Venango, Pennsylvania**

Transportation Program

Program Financial Statements and  
Supplementary Information

Year Ended June 30, 2011  
with Independent Auditor's Reports

# COUNTY OF VENANGO, PENNSYLVANIA

## TRANSPORTATION PROGRAM

YEAR ENDED JUNE 30, 2011

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## Independent Auditor's Report

Board of Commissioners  
County of Venango, Pennsylvania

We have audited the accompanying program financial statements (financial statements) of the County of Venango, Pennsylvania (County) Transportation Program (Transportation Program), as of and for the year ended June 30, 2011. These financial statements are the responsibility of the Transportation Program's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, the financial statements were prepared in conformity with the contract accounting practices and procedures prescribed or permitted by the Commonwealth of Pennsylvania Department of Transportation, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The differences between the contract accounting practices and procedures prescribed or permitted by the Commonwealth of Pennsylvania Department of Transportation and accounting principles generally accepted in the United States of America are also described in Note 2.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of operations of the Transportation Program, as of and for the year ended June 30, 2011, on the basis of accounting as described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2011, on our consideration of the Transportation Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprises the Transportation Program's financial statements as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis as required by the Commonwealth of Pennsylvania Department of Transportation, and are not a required part of the financial statements. The schedules are the responsibility of management and were derived from and relate directly to the

Board of Commissioners  
County of Venango, Pennsylvania  
Independent Auditor's Report

underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management of the Transportation Program, others within the Transportation Program, the Board of Commissioners of the County of Venango, and the Commonwealth of Pennsylvania Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

Pittsburgh, Pennsylvania  
December 29, 2011

# COUNTY OF VENANGO, PENNSYLVANIA

## TRANSPORTATION PROGRAM

### PROGRAM BALANCE SHEET

JUNE 30, 2011

<b>Assets</b>	
Cash	\$ 87,327
Accounts receivable - PennDOT	25,165
Due from County of Venango funding sources	14,621
Due from County of Venango	<u>120,385</u>
<b>Total Assets</b>	<b><u><u>\$ 247,498</u></u></b>
<b>Liabilities and Net Assets</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 25,007
Accrued payroll and related benefits	48,129
Deferred revenue	<u>174,362</u>
<b>Total Liabilities</b>	<b><u>247,498</u></b>
<b>Net Assets:</b>	
Restricted - Transportation Program	<u>-</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 247,498</u></u></b>

See accompanying notes to program financial statements.

**COUNTY OF VENANGO, PENNSYLVANIA**

**TRANSPORTATION PROGRAM**

PROGRAM STATEMENT OF REVENUES AND EXPENDITURES

YEAR ENDED JUNE 30, 2011

	Fixed Route	Dedicated Capital Transit	Shared- Ride	Non-Public Other Transportation	Shared- Ride Capital	Total
<b>Operating Revenues:</b>						
Passenger fares	\$ 45,493	\$ -	\$ 702	\$ -	\$ -	\$ 46,195
Gas tax rebate	32	-	-	-	-	32
Interest income on operating cash	250	-	-	-	-	250
Other income:						
AAA	416	-	78,252	26,688	-	105,356
MATP	3,502	-	134,091	10,287	-	147,880
CSBG	17,540	-	15,846	-	-	33,386
HSDF	540	-	4,863	239	-	5,642
SAP	41	-	-	-	-	41
MH/DS	-	-	-	248,942	-	248,942
<b>Total operating revenues</b>	<b>67,814</b>	<b>-</b>	<b>233,754</b>	<b>286,156</b>	<b>-</b>	<b>587,724</b>
<b>Operating Expenses:</b>						
General administration:						
Other salaries and wages	21,959	-	36,379	19,589	-	77,927
Fringe benefits	5,877	-	9,035	4,865	-	19,777
Services	7,713	-	8,940	2,149	-	18,802
Other materials and supplies	2,222	-	1,308	706	-	4,236
Utilities	3,969	-	1,262	680	-	5,911
Casualty and liability costs	4,414	-	3,471	1,869	-	9,754
Miscellaneous expenses	1,706	-	972	2,045	-	4,723
Vehicle operation:						
Operator salaries and wages	115,880	-	172,719	93,002	-	381,601
Other salaries and wages	-	-	26,987	37,687	-	64,674
Fringe benefits	59,152	-	56,417	33,337	-	148,906
Services	3,324	-	273	147	-	3,744
Fuel and lubricants	58,398	-	81,078	43,658	-	183,134
Tires and tubes	6,772	-	2,424	1,305	-	10,501
Other materials and supplies	52	-	-	-	-	52
Utilities	861	-	6,734	3,627	-	11,222
Casualty and liability costs	8,976	-	7,432	4,002	-	20,410
Miscellaneous expenses	-	-	724	389	-	1,113
Maintenance:						
Other salaries and wages	25,603	-	15,995	8,613	-	50,211
Fringe benefits	14,478	-	5,531	2,978	-	22,987
Services	16,741	-	9,522	5,127	-	31,390
Other materials and supplies	13,588	-	10,579	5,697	-	29,864
Utilities	7,878	-	374	201	-	8,453
Leases and rentals	3,922	-	2,824	-	-	6,746
Related parties lease agreement	-	-	26,896	14,483	-	41,379
<b>Total operating expenses</b>	<b>383,485</b>	<b>-</b>	<b>487,876</b>	<b>286,156</b>	<b>-</b>	<b>1,157,517</b>
<b>Operating Income (Loss)</b>	<b>(315,671)</b>	<b>-</b>	<b>(254,122)</b>	<b>-</b>	<b>-</b>	<b>(569,793)</b>
<b>Nonoperating Revenues:</b>						
Grants:						
Section 5311	90,000	-	-	-	-	90,000
Section 1513	205,806	-	-	-	-	205,806
Local match	19,865	-	-	-	-	19,865
Shared-Ride lottery grant	-	-	158,894	-	-	158,894
Act 26 PTAF - capital (usage of carryover)	-	-	-	-	257,594	257,594
Transfer from General Fund	-	-	47,614	-	-	47,614
Transfer from OEO-Capital Fund	-	-	47,614	-	-	47,614
<b>Total nonoperating revenues</b>	<b>315,671</b>	<b>-</b>	<b>254,122</b>	<b>-</b>	<b>257,594</b>	<b>827,387</b>
<b>Nonoperating Expenses:</b>						
Capital expense	-	-	-	-	257,594	257,594
<b>Net Income (Loss)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying notes to program financial statements.

# COUNTY OF VENANGO, PENNSYLVANIA

## TRANSPORTATION PROGRAM

### NOTES TO PROGRAM FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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#### 1. SCOPE AND PURPOSE OF GRANTS

The County of Venango, Pennsylvania (County) Transportation Program (Transportation Program) consists of the Fixed Route Program, the Shared-Ride Program for Senior Citizens (Shared-Ride Program), and Exclusive Transportation, which includes transportation services to the Training Center for Mental Health and Disability Services (MH/DS) and after hours renal care for dialysis clients.

The Fixed Route Program is funded by various grants from the Commonwealth of Pennsylvania and the U.S. Department of Transportation. The Shared-Ride Program is funded with Pennsylvania Lottery proceeds administered by the Commonwealth of Pennsylvania Department of Transportation (PennDOT). The purpose of these programs is to provide subsidized transportation for senior citizens and other eligible persons in the County. The Exclusive Transportation is funded by various agencies of the County. Exclusive services are limited to agency clients.

The accompanying program financial statements include only the financial activity of the Transportation Program. The program financial statements are not intended to present the results of operations of the County, the Medical Assistance Transportation Program (MATP) of the County, or the County's Office of Economic Opportunity (OEO).

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Accounting

The program financial statements of the Transportation Program are prepared on the contract accounting practices and procedures prescribed or permitted by PennDOT, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Under GAAP, revenues are recorded when earned and expenses are recorded when incurred.

#### 3. CASH

Deposits are maintained in an interest-bearing checking account, and are accounted for in separate accounting funds within the pooled cash account of the County. There were no deposit or investment transactions during the year that were in violation of

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# COUNTY OF VENANGO, PENNSYLVANIA

## TRANSPORTATION PROGRAM

### NOTES TO PROGRAM FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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the State statutes. The Transportation Program's available cash is held in interest-bearing demand deposit accounts. The carrying amount of the cash at June 30, 2011 was \$87,327.

The Transportation Program is subject to custodial credit risk, which is the risk that in the event of a bank failure, the Transportation Program's deposits may not be returned to it. The Transportation Program does not have a deposit policy for custodial credit risk. As of June 30, 2011, the Transportation Program's entire bank balance of \$87,327 was exposed to custodial credit risk. Deposits are collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

#### 4. ACCOUNTS RECEIVABLE - PENNDOT

As of June 30, 2011, the Transportation Program was owed \$25,165 from PennDOT related to the Shared-Ride Program.

#### 5. DUE FROM FUNDING SOURCES

Due from County of Venango funding sources consists of approximately \$15,000 owed from the MATP Fund of the County.

#### 6. DEFERRED REVENUE

Deferred revenue consists primarily of grant funds received prior to incurring eligible expenditures. Based on current guidance from PennDOT, the Transportation Program reports the following amounts as deferred revenue at June 30, 2011:

	<u>Amount</u>
Act 26 carryover	\$ 114,438
Act 44 carryover	52,446
Insurance reimbursements	5,588
Vehicle replacement	<u>1,890</u>
Total	<u><u>\$ 174,362</u></u>

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# COUNTY OF VENANGO, PENNSYLVANIA

## TRANSPORTATION PROGRAM

### NOTES TO PROGRAM FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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#### **7. ALLOWABLE PROFIT RETENTION**

In relation to the Shared-Ride Program, Section 203 of the Commonwealth of Pennsylvania program regulations dictate that the maximum profit amount for a given 12-month project period is not to exceed an amount equal to 10% of total audited eligible operating expenses. Eligible expenses are defined as operating expenses and exclude depreciation and capital expenditures. PennDOT will recover any amount over 10% based on an established formula through a future grant payment adjustment. PennDOT must authorize expenditures from the reserve and may do so in cases of “extraordinary” circumstances and to cover operating expenses during a fare increase application process. For the year ended June 30, 2011, there was no profit to be retained.

#### **8. COMMITMENTS AND CONTINGENCIES**

The Transportation Program receives significant financial assistance from governmental agencies in the form of contracts, grants, and other entitlements. The disbursement of funds received under such programs generally requires compliance with terms and conditions specified in the contract agreements and are subject to audit by grantor agencies. Any disallowed costs resulting from such audits could become a liability of the Transportation Program. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. The Transportation Program’s management expects such amounts, if any, to be immaterial.

The Transportation Program is involved in contracts relating to the construction of six bus shelters and a mobile office unit, totaling approximately \$74,500 as of June 30, 2011.

#### **9. DUE FROM COUNTY OF VENANGO**

For the year ended June 30, 2011, the Fixed Route Program’s operating loss was funded entirely by grant funding. The Shared-Ride Program had an operating loss of approximately \$95,000 for the year ended June 30, 2011, after applying all possible grant funding; therefore, this deficit has been funded by the County’s General Fund and OEO – Capital Fund. During fiscal year 2011, significant changes were made to the Shared-Ride Program as the County began providing Shared-Ride services in-

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# **COUNTY OF VENANGO, PENNSYLVANIA**

## **TRANSPORTATION PROGRAM**

### **NOTES TO PROGRAM FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

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house, and did not subcontract services as they had in prior years. Because of this, the County anticipates the Shared-Ride Program will be sustained by state grant funding in future years.

Schedule S1 - FY 10/11

GRANTEE : County of Venango, Pennsylvania  
Fixed Route Transportation Program

Local Match Provided (FY 10/11)

List below all local cash contributions provided for the year ended June 30, 2011:

Contributor Name	Total Amount Provided	Date of Final Payment
County of Venango General Fund	\$ 19,865	6/30/2011
	\$ -	
	\$ -	
	\$ -	
	\$ -	
	\$ -	
	\$ -	
	\$ -	
	\$ -	
	\$ -	
	\$ -	
	\$ -	
	\$ -	
	\$ -	
	\$ -	
	\$ -	

**Schedule S2 - FY 10/11**

**Local Match Carryover (FY 10/11)**

A.	Local match available as of June 30, 2010		\$ 12,394
B.	Local match funds provided during year ended June 30, 2011		19,865
C.	Section 1513 local match operating expenditures for the year ended June 30, 2011		19,865
D.	Other local match operating expenditures for the year ended June 30, 2011 (if any)		
	IDENTIFY MATCHED PROGRAM		-
E.	Other local match operating expenditures for the year ended June 30, 2011 (if any)		
	IDENTIFY MATCHED PROGRAM		-
F.	Other local match operating expenditures for the year ended June 30, 2011 (if any)		
	IDENTIFY MATCHED PROGRAM		-
G.	Total local match operating expenditures for year ended June 30, 2011 (C+D+E+F)		19,865
H.	Section 1514-Discretionary local match capital expenditures for year ended June 30, 2011 (if any)		-
I.	Section 1514-Bond local match capital expenditures for year ended June 30, 2011 (if any)		-
J.	Other local match capital expenditures for year ended June 30, 2011 (if any)		
	IDENTIFY MATCHED PROGRAM	PTAF	8,501
K.	Other local match capital expenditures for year ended June 30, 2011 (if any)		
	IDENTIFY MATCHED PROGRAM		-
L.	Other local match capital expenditures for year ended June 30, 2011 (if any)		
	IDENTIFY MATCHED PROGRAM		-
M.	Total local match capital expenditures for year ended June 30, 2011 (H+I+J+K+L)		8,501
N.	Interest earned on local funds for year ended June 30, 2011		8
O.	Local Match Funds available as of June 30, 2011 (A+B-G-M+N)		\$ 3,901

Line Instructions

Line A – Local cash contributions remaining after all local cash expenditures prior to July 1, 2010.

Line B – Amount must agree with total on Schedule S1.

Line C – Operating expenditures of local cash to match Section 1513 for the year ended June 30, 2011.

Lines D, E, & F – Operating expenditures of local cash for the year ended June 30, 2011 other than Section 1513 local match expenditures. If the expenditure matched a specific program, identify the program where indicated.

Line H – Capital expenditures of local cash to match Section 1514-Discretionary for the year ended June 30, 2011.

Line I – Capital expenditures of local cash to match Section 1514-Bond for the year ended June 30, 2011.

Lines J, K, & L – Capital expenditures of local cash for the year ended June 30, 2011 other than Section 1514 - Discretionary.

**Schedule S4 - FY 10/11**

**Rural PTAF/BSG/ASG Carryover (FY 10/11)**

	ACT 26		ACT 3			
	PTAF *	PTAF Required Local Match	BSG	BSG Required Local Match	ASG	ASG Required Local Match
1 Funds available from prior years	\$ 359,405	\$ 12,394	\$ -	\$ -	\$ -	\$ -
2 Interest income earned in FY 2010-2011	225	8	-	-	-	-
3 Total funds available in FY 2010-2011 (Line 1 + 2)	359,630	12,402	-	-	-	-
4 Funds used for operating in FY 2010-2011	-	-	-	-	-	-
5 Funds used for capital in FY 2010-2011	249,093	8,501	-	-	-	-
6 Total funds used in FY 2010-2011 (Line 4 + 5)	249,093	8,501	-	-	-	-
7 Funds available for FY 2011-2012 (Line 3 minus 6)	\$ 110,537	\$ 3,901	\$ -	\$ -	\$ -	\$ -

**Schedule S6 - FY 10/11**

**Rural Section 1513 Program Carryover (FY 10/11)**

	<u>Section 1513 State Grant</u>	<u>Section 1513 Required Local Match</u>
1 Section 1513 funds available from prior years	\$ -	\$ -
2 Public Transportation Trust Fund (PTTF) Section 1513 funds received for FY 2010-2011	258,002	19,865
3 PTAF Section 1513 funds received for FY 2010-2011 (applicable to ATA only)	-	-
4 Total Section 1513 funds received for FY 2010-2011 (Line 2 + 3)	258,002	19,865
5 Interest income earned on Section 1513 funds in FY 2010-2011	250	-
6 Total Section 1513 funds available in FY 2010-2011 (Line 1 + 4 + 5)	258,252	19,865
7 Section 1513 funds used for operating in FY 2010-2011	205,806	19,865
8 Section 1513 funds available for FY 2011-2012 (Line 6 minus 7)	\$ 52,446	\$ -

Line Instructions

LINE 1 - Prior year Section 1513 funds are state funds because required local match from prior years was expended in the same fiscal year it was received.

LINE 3 - Do not include PTAF funds received in FY 2008-09 for capital debt service.

LINE 4 - Must agree with Section 1513 funds reported on the BPT Grant Payment Confirmation Report.

LINE 7 - REQUIRED LOCAL MATCH entered on lines 6 and 7 must be equal since local match must be expended in the same fiscal year it is received.

LINE 8 - REQUIRED LOCAL MATCH on line 8 must equal zero.

Schedule S7 - FY 10/11

Shared - Ride Expense Allocation Worksheet

Please respond to the following questions. Do you use the same administrative staff/facilities and/or vehicles/drivers to:

- 1 Provide services (i.e., home-delivered meals, etc.) other than passenger transportation?        YES   X   NO
- 2 Provide transportation services other than shared-ride (i.e., exclusive ride taxi, fixed-route, charter etc.)?   X   YES        NO
- 3 Provide transportation services at fares or contract rates which differ from the shared-ride fare structure?   X   YES        NO

If you answered "yes" to any of the three questions, you must complete the Shared-Ride Expense Allocation Worksheet

Shared-Ride Expense Allocation Worksheet

	% Allocated to Fixed Route	% Allocated to Paratransit (ADA)	% Allocated to Shared-Ride	% Allocated to Non-Public	Basis for Allocation
1 Operators' salaries and wages	30.40%	0.00%	45.30%	24.30%	Fixed Route is directly allocated. Share-Ride and Exclusive are allocated based on miles and hours of service by each activity.
2 Other salaries and wages	24.70%	0.00%	41.10%	34.20%	Fixed Route includes one full-time mechanic, and a percentage of time for director, operations specialist, and accountant, which are all based on an estimate of time spent on the project. Shared-Ride and Exclusive include one-full time mechanic, two-full-time dispatchers, one coordinator, and a percentage of time for administrative personnel, including director, accountant, operations specialist, and portion of data entry clerk. Costs are then further split based on miles/hours of service between Shared-Ride and Exclusive. The Training Center requires aides on their routes, and their salaries and wages are charged 100% to this service alone.
3 Fringe benefits	41.50%	0.00%	37.00%	21.50%	Allocated based upon above salaries and wages.
4 Services	51.20%	0.00%	34.50%	14.30%	Fixed Route is directly allocated to the program that used the purchased service. Shared-Ride and Exclusive are based on miles and hours of service by each activity.
5 Fuel and lubricants	31.90%	0.00%	44.30%	23.80%	Fixed Route is directly allocated to the program that used the fuel and lubricant. Shared-Ride and Exclusive are based on miles and hours of service by each activity.
6 Tires and tubes	64.50%	0.00%	23.10%	12.40%	Fixed Route is directly allocated to the program that used the fuel and lubricant. Shared-Ride and Exclusive are based on miles and hours of service by each activity.
7 Other materials and supplies	46.90%	0.00%	35.20%	17.90%	Fixed Route is directly allocated to the program that used the fuel and lubricant. Shared-Ride and Exclusive are based on miles and hours of service by each activity.
8 Utilities	49.70%	0.00%	32.70%	17.60%	Fixed Route is directly allocated to the program that used the utilities. Shared-Ride and Exclusive are based on miles and hours of service by each activity. The only exception is radios, where maintenance contract charges are split according to number of radios per service between Fixed Route and the other services, and then the remaining cost of the radios is allocated to Shared-Ride and Exclusive based on miles and hours of service by each activity.
9 Casualty and liability costs	44.40%	0.00%	36.10%	19.50%	General liability insurance is directly allocated to the program that used insurance for Fixed Route. Shared-Ride and Exclusive are based on miles and hours of service by each activity. Vehicle insurance is determined by number of vehicles per service, and then vehicle insurance charges are split according to number of radios per service between Fixed Route and the other services, and then the remaining cost of the radios is allocated to Shared-Ride and Exclusive based on miles and hours of service by each activity.
10 Taxes	0.00%	0.00%	0.00%	0.00%	Not applicable
11 Purchased transportation	0.00%	0.00%	0.00%	0.00%	Not applicable
12 Miscellaneous expenses	10.40%	0.00%	58.20%	31.40%	Fixed Route is directly allocated to the program that used the miscellaneous expenses. Shared-Ride and Exclusive are based on miles and hours of service by each activity.
13 Expense transfers	0.00%	0.00%	0.00%	0.00%	Not applicable

## **Supplementary Information**

**County of Venango, Pennsylvania**

Transportation Program

Independent Auditor's Report in Accordance  
with *Government Auditing Standards*

Year Ended June 30, 2011

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Program Financial Statements Performed in Accordance  
with Government Auditing Standards

Board of Commissioners  
County of Venango, Pennsylvania

We have audited the program financial statements (financial statements) of the County of Venango, Pennsylvania, (County) Transportation Program (Transportation Program), as of and for the year ended June 30, 2011 and have issued our report thereon dated December 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Transportation Program's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Transportation Program's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Transportation Program's internal control over financial reporting.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiency in internal control over financial reporting (finding 2011-02). 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Transportation Program's financial statements are free of material misstatement, we performed tests of its 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are

Board of Commissioners  
County of Venango, Pennsylvania  
Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters

required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2011-01.

We noted certain matters that we have reported to management of the Transportation Program in a separate letter dated December 29, 2011.

\* \* \* \* \*

This report is intended solely for the information and use of the management of the Transportation Program, the Board of Commissioners of the County of Venango, others within the Transportation Program, and the Commonwealth of Pennsylvania Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

Pittsburgh, Pennsylvania  
December 29, 2011

# COUNTY OF VENANGO, PENNSYLVANIA

## TRANSPORTATION PROGRAM

### SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2011

#### **Finding 2011-01: Eligibility Determination**

Condition: During our testing of Shared-Ride trips, we noted that for one of forty rider trips, eligibility had not been determined for the individual since 2007. A trip was scheduled for the individual even though they were not eligible to receive funding for the trip. In addition, we noted that eligibility determination for individuals whose trips are funded through the Medical Assistance Transportation Program (MATP) is not being checked on a regular basis.

Criteria: Eligibility should be determined regularly to ensure that trips are funded by the appropriate funding source.

Cause: The County of Venango (County) does not have procedures in place to verify eligibility on a regular basis, nor are there procedures in place to check rider eligibility before scheduling a trip.

Effect: Trips are scheduled for individuals who are not eligible to receive funding. Trips funded through MATP are billed to the state and are rejected, as the services were provided to an ineligible rider. Trips are subsequently billed to alternate County programs.

Recommendation: The County should implement procedures to ensure that eligibility of riders is checked on a regular basis to determine which type of funding they are eligible to receive. Trips should be billed to the program for which the individual is eligible at the time of service, and services should not be provided to ineligible individuals.

#### **Finding 2011-02: Internal Control over Financial Accounting and Reporting**

Condition: Adjustments were required to be made to the Transportation Program funds as part of the audit process. The adjustments were to reclassify state revenue that was recorded in a federal revenue account in the Rural Operating Fund, and to reverse an audit adjustment that was made as of December 31, 2010 to remove accounts payable and expenses for a capital purchase in the Shared-Ride Fund. An entry was not made by the County to record the expenses as of June 30, 2011.

Criteria: Under auditing standards, emphasis has been placed on determining an entity's ability to fully prepare their own external financial statements, including the posting of all necessary adjustments and evaluating the need for all necessary financial statement disclosures.

Cause: The County did not reconcile accounts payable for certain funds of the Transportation Program at fiscal year-end. The County did not reconcile revenue per the accounting system to the payment confirmation obtained from the Commonwealth of Pennsylvania Department of Transportation (PennDOT).

Effect: Audit adjustments were required to be made for the Transportation Program's financial statements to be materially accurate.

# COUNTY OF VENANGO, PENNSYLVANIA

## TRANSPORTATION PROGRAM

### SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2011

Recommendation: The County should implement procedures for the quarterly review of the accounting system, in conjunction with quarterly reporting to PennDOT. Any adjustments necessary, based upon that review, should be posted to the accounting system at that time. In addition, the County should reconcile revenue per the accounting system to the payment confirmation obtained from PennDOT at fiscal year-end.