

**FAME Assistance Corporation**

**Report on the Rider Relief Transportation Program (RRTP)  
by FAME Assistance Corporation under  
its Memorandum of Understanding No. MOU. R2TPFAC2  
with the Los Angeles County Metropolitan Transportation Authority**

**As of and for the Years Ended June 30, 2016 and 2015  
with Independent Auditor's Report**



**Simpson & Simpson, LLP  
Certified Public Accountants**

**FAME Assistance Corporation  
Rider Relief Transportation Program (RRTP)  
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## ***FINANCIAL SECTION***

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## Independent Auditor's Report

To FAME Assistance Corporation and the  
Los Angeles County Metropolitan Transportation Authority

### *Report on the Financial Statements*

We have audited the financial statements of the **Rider Relief Transportation Program (the Program) by FAME Assistance Corporation (FAC)**, a not-for-profit organization, funded by the Los Angeles County Metropolitan Transportation Authority (LACMTA), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RRTP by FAME Assistance Corporation, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matter***

The financial statements of the Rider Relief Transportation Program as of and for the year ended June 30, 2015, were audited by other auditors, whose report, dated May 23, 2016, expressed an unmodified opinion on those statements.

### ***Emphasis of Matter***

As discussed in Note 2, the financial statements present only the RRTP, and do not purport to, and do not, present fairly FAC's financial position as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of coupon distribution to agency providers (Schedule) is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The supplementary 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.



***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2017 on our consideration of FAC'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* in considering FAC's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Simpson &amp; Simpson".

February 28, 2017  
Los Angeles, California

**FAME Assistance Corporation  
Rider Relief Transportation Program (RRTP)  
Statements of Financial Position**

		June 30	
		2016	2015
<b>ASSETS</b>			
Accounts receivable	\$	20,344	\$ 81,746
<b>Total assets</b>	\$	<u>20,344</u>	<u>81,746</u>
 <b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Advances from FAC	\$	20,334	\$ 81,746
 <b>NET ASSETS</b>			
		-	
<b>Total liabilities and net assets</b>	\$	<u>20,334</u>	<u>81,746</u>

The accompanying notes are an integral part of the financial statements

**FAME Assistance Corporation**  
**Rider Relief Transportation Program (RRTP)**  
**Statements of Activities**

		Years Ended June 30	
		2016	2015
<b>REVENUES</b>			
Grant revenue	\$	300,000	\$ 382,958
Contribution from FAC		14,485	32,254
<b>Total revenues</b>		<b>314,485</b>	<b>415,212</b>
<b>EXPENDITURES</b>			
<b>Program expenses</b>			
Printing		4,453	87,579
<b>Total program expenses</b>		<b>4,453</b>	<b>87,579</b>
<b>Administrative expenses</b>			
Salaries and wages		195,450	179,362
Employee benefits		28,936	30,635
Allocated indirect costs		16,343	24,621
Facility cost		16,595	16,427
Payroll taxes		16,245	15,914
Consultants and purchased services		23,839	14,720
Printing and postage		7,476	13,111
Allocated depreciation		-	12,956
Supplies		989	5,535
Utilities		-	3,085
Insurance		1,455	2,799
Purchased/Leased equipment		1,166	2,460
Travel, conference and dues		1,102	1,934
Interest		-	1,631
Security		36	1,031
Office expense		211	953
Repairs and maintenance		191	445
Advertising and promotion		-	14
<b>Total administrative expenses</b>		<b>310,033</b>	<b>327,633</b>
<b>Total expenses</b>		<b>314,485</b>	<b>415,212</b>
Change in net assets		-	-
Net assets at beginning of year		-	-
Net assets at end of year	\$	-	\$ -

The accompanying notes are an integral part of the financial statements



**FAME Assistance Corporation**  
**Rider Relief Transportation Program (RRTP)**  
**Statements Cash Flows**

	Years Ended June 30	
	2016	2015
<b>Cash from operating activities</b>		
Change in net assets	\$ -	\$ -
Adjustment to reconcile change in net asset to net cash provided by (used in) operating activities: change in operating assets and liabilities		
Accounts receivable	61,402	(37,649)
Accounts payable	-	(785)
<b>Net cash provided by (used in) operating activities</b>	<u>61,402</u>	<u>(38,434)</u>
<b>Cash from financing activities</b>		
Advances from FAC	(61,402)	38,434
<b>Net cash provided by (used in) financing activities</b>	<u>(61,402)</u>	<u>38,434</u>
<b>Change in cash</b>	-	-
<b>Cash</b>		
Beginning of year	-	-
End of year	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

The accompanying notes are an integral part of the financial statements

**FAME Assistance Corporation**  
**Rider Relief Transportation Program (RRTP)**  
**Notes to Financial Statements**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**NOTE 1 – BACKGROUND**

The Rider Relief Transportation Program (RRTP) was created in 2007 upon a cooperative partnership among the FAME Assistance Corporation (FAC) and Human Services Association (HSA). The purpose of the RRTP program is to provide fare subsidy coupons to eligible LACMTA range of non-profit and government agencies that distribute subsidy coupons to the neediest segment of the population. The Los Angeles County Metropolitan Transportation Authority (LACMTA) provides funding for this program under separate MOUs with FAC and HSA.

RRTP offers the following transportation subsidy coupons to qualified participants Regular Riders, Senior Citizens, Kindergarten and College-vocational students.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

Accounts are maintained using the accrual basis of accounting for financial reporting purposes, which recognize income in the period earned and expenses when incurred, regardless of the timing of payments.

**Revenue Recognition**

Revenue is recognized on an accrual basis as earned according to the provisions of its contract with LACMTA. Under the contract, LACMTA will reimburse FAC for all costs incurred by FAC in the performance of the program up to a certain amount annually approved by LACMTA (see Note 5).

**NOTE 3 – REPORTING ENTITY**

The financial statements present only the financial position and results of operations of the RRTP, and do not purport to, and do not present fairly the FAC's financial position as of June 30, 2016 and 2015, and the changes in its financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

**NOTE 4 – ADVANCES FROM FAC**

FAC advances money to fund the operating expenses of the RRTP. Monthly, FAC sends an invoice to LACMTA to seek reimbursement for expenses paid by FAC for operating the RRTP. At June 30, 2016 and 2015, the amounts due from FAC were \$20,344 and \$81,746.

**FAME Assistance Corporation**  
**Rider Relief Transportation Program (RRTP)**  
**Notes to Financial Statements**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**NOTE 5 – ALLOCATION FOR THE YEAR**

Per the Amendment No. 1 to Memorandum of Understanding dated July 1, 2015, for Fiscal Year 2015-2016, LACMTA will reimburse FAC in an amount not to exceed three million dollars (\$3,000,000) for transportation and administrative costs. LACMTA will reimburse FAC in administrative costs not to exceed \$300,000 and transportation fare media of not-to-exceed \$2,700,000. Any expenditures exceeding the total contract amount for any fiscal year shall be the sole responsibility of FAC.

The transportation fare media is in the form of transportation subsidy coupons which are presented as supplemental information and are not recorded in the statements of activities because the actual value of redeemed subsidy coupons cannot be determined by FAC.

Expenses presented in the statements of activities represent reimbursements received from LACMTA of costs incurred by FAC on the RRTP.

**NOTE 6 – RRTP COMPLIANCE REQUIREMENTS**

The RRTP is governed by the provisions of the Memorandum of Understanding between LACMTA and FAC, and the RRTP Operating Guidelines (collectively, the Guidelines). The Guidelines provide, among other requirements, that transportation subsidies be made available to Los Angeles County residents living below the poverty level.

**NOTE 7 – GENERAL AND ADMINISTRATIVE COSTS**

General and administrative costs are allocated to programs based on payroll hours of employees who worked directly on the programs.

**NOTE 8 – SUBSEQUENT EVENTS**

FAC has evaluated events through February 28, 2017, the date the financial statements were available to be issued, and concluded no events have occurred that require disclosure or adjustment to the financial statements.

**FAME Assistance Corporation  
Rider Relief Transportation Program (RRTP)  
Supplementary Information  
Schedule of Coupon Distribution to Agency Providers  
For the Fiscal Year Ended June 30, 2016**

<b>Provider</b>	<b>Total Value Distributed</b>
A Better Living	\$ 4,732
Actor's Fund	50
Anahuacalmecac International University Prep (AIUP)	660
Angelus Plaza	54,910
Bancroft Middle School	4,480
Belmont High School	2,548
Bradley Milken Family Source Center	33,330
CALO Youthbuild	144
Central City Neighborhood Partners	4,034
Children's Institute- all sites	5,746
Chinatown Senior Citizen Service Center	9,228
CHIRP/LA	134
Cienega Elementary School	5,718
Coalition for Responsible Community Development	24,782
Coalition of Mental Health Professionals	1,122
Communities Actively Living Independent and Free (CALIF)	17,324
Downtown Women's Center	44,234
Downtown/ Pico-Union WorkSource	7,546
Eagle Rock Lutheran Church	540
El Centro Del Pueblo	51,222
Exodus	5,258
FAME Assistance Corporation- Walk In	895,846
FAME CityRide Set Aside	152,615
FASGI- Park View Site	126,576
Filipino-American Service Group Inc. (FASGI)	188,752
Force of Hope Economic Development Center	1,676
Good Seed Shelter	60
Good Shepherd Center	338
Goodwill Southern California	234
Grace Resource Center	714
Great Beginnings for Black Babies	754
Guidance Community Development Center	33,266
Healthy Start- 92nd St. Elementary School	10,868
Healthy Start 99th Street Elementary/ Figueroa Elementary	2,272
Healthy Start Franklin High School	18
Healthy Start Le Conte/Queen Anne Elementary School	8,562
Healthy Start Los Angeles High School/John Burroughs Middle School	9,256

See accompanying independent auditor's report

**FAME Assistance Corporation  
Rider Relief Transportation Program (RRTP)  
Supplementary Information  
Schedule of Coupon Distribution to Agency Providers  
For the Fiscal Year Ended June 30, 2016**

<b>Provider</b>	<b>Total Value Distributed</b>
<i>(Continued)</i>	
Healthy Start North East Cluster	\$ 4,804
Healthy Start- Westchester	1,744
Home Sweet Home Youth Services	396
Hope of the Valley	21,668
Housing Authority City of Los Angeles- Union Towers	2,754
John Muir Charter School	654
Korean American Volunteer Corps.	103,540
Koreatown Youth and Community Center	4,650
LA CAUSA	810
Latino Resource Organization-Venice	1,186
LIFT Communities	592
Living Praise Community Center	3,064
Los Angeles Conservation Corp.	474
Los Angeles Education Corps.	714
LRO West LA Family Source	3,706
LSS Community Care Centers/ Canoga Park	39,666
Lucille Beserra Royal Family Source Center	175,466
Mental Health America- Antelope Valley	1,614
Metro North WorkSource Center	67,586
Mount Aaron Christian Center Church	1,784
New Economics for Women -FDN	27,458
Ninth Street School	4,164
PATH Foundation- Access Center	126
People Assisting the Homeless	2,326
Personal Involvement Center	1,334
PF Bresee Foundation	63,168
Plasencia Elementary School	32,050
Poly High School	10,906
Sal Castro Middle School	16,404
Santa Clarita Work Source	12,750
SAVES- City of Palmdale	14,434
Service Employees International Union Local 99	17,156
St. Agatha Catholic Church	154,834
St. Francis Center	3,012
St. Joseph Center	31,084
St. Vincent De Paul	3,126
Step Up on Second	8,810

See accompanying independent auditor's report

**FAME Assistance Corporation  
Rider Relief Transportation Program (RRTP)  
Supplementary Information  
Schedule of Coupon Distribution to Agency Providers  
For the Fiscal Year Ended June 30, 2016**

<b>Provider</b>	<b>Total Value Distributed</b>
<i>(Continued)</i>	
Tom Bradley YFS/ Grayson's Awareness	\$ 45,790
Training and Research Foundation	582
Vermont Village CDC	7,326
Vernon-Central/ LATTC WorkSource	294
Very Human (Founders Metropolitan Church)	88
Vista Del Mar Home Safe	322
Volunteers of America- T2W2	3,402
W.O.R.K.S.	624
Weber Community Center	964
West Angeles Community Development Corp.	16,824
Windsor Hill Elementary School	598
WLCAC	22,312
Women of Color	416
YNOT Foundation	153,028
Youth Justice Coalition	230
Youth Policy Institute LA	53,186
Youth Policy Institute- San Fernando Valley (closed)	35,670
TOTAL	\$ 2,891,219

See accompanying independent auditor's report



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

**To FAME Assistance Corporation and the  
Los Angeles County Metropolitan Transportation Authority**

We have audited, in accordance with the 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, the financial statements of the **Rider's Relief Transportation Program (RRTP) (the Program) by the FAME Assistance Corporation, Inc. (FAC)**, a not-for- organization, funded by the Los Angeles County Metropolitan Transportation Authority (LACMTA), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 28, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered FAC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FAC's internal control. Accordingly, we do not express an opinion on the effectiveness of FAC's internal control.

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. 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.

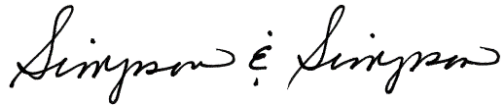
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Program's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads 'Simpson & Simpson' in a cursive script.

Los Angeles, California  
February 28, 2017



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## *COMPLIANCE SECTION*

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## **Independent Auditor's Report on Compliance**

### **To FAME Assistance Corporation and the Los Angeles County Metropolitan Transportation Authority**

We have audited the compliance of the **FAME Assistance Corporation (FAC)** with the Memorandum of Understanding No. MOU. R2TPFAC2 and the Rider Relief Transportation Program (RRTP) Operating Guidelines (collectively, the Guidelines) for the year ended June 30, 2016.

#### **Management's Responsibility**

Management is responsible for FAC's compliance with the Guidelines.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on FAC's compliance based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Guidelines. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the Guidelines referred to above that could have a direct and material effect on the RRTP Program occurred. An audit includes examining, on a test basis, evidence about FAC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the Guidelines. However, our audit does not provide a legal determination on FAC's compliance with the Guidelines.

#### **Opinion**

In our opinion, FAME Assistance Corporation complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2016.

#### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance with the Guidelines, which are required to be reported in accordance with the Guidelines and which are described as Finding No. 2016-001 in the accompanying Schedule of Findings and Recommendations. Our opinion is not modified with respect to these matters.



FAC's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Recommendations. FAC's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control over Compliance**

Management of FAME Assistance Corporation, Inc. is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered FAC's internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of FAC's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script, reading 'Simpson &amp; Simpson'.

Los Angeles, CA  
February 28, 2017

**FAME Assistance Corporation  
Rider Relief Transportation Program (RRTP)  
Schedule of Findings and Recommendations  
Year ended June 30, 2016**

**Finding 2016-001 – Inventory**

**Criteria or Specific Requirement**

Under the RRTP Program Participation Agreement, grantees will take full responsibility and liability for the security of FAC subsidy coupons and LACMTA tokens. Participant agrees to keep all subsidy coupons and LACMTA tokens in a locked area with limited access and agrees to conduct random spot checks to ensure actual LACMTA tokens on hand match reported amount. If subsidy coupons and LACMTA tokens are kept in several locations, the Participant agrees to institute an internal token log sheet to record LACMTA token distribution to staff.

**Condition**

FAC distributes three types of coupons to its agencies in June and December every year. FAC itself distributes coupons to individual participants as well.

During our site visit, we observed the following:

- During our physical count of coupons at YNOT Foundation on February 6, 2017, we counted 144 coupons on hand. According to our calculation using its monthly reports and user logs, the inventory balance should be 145 coupons, which leads to a shortage of one coupon.
- During our physical count of coupons at Angelus Plaza on February 7, 2017, we counted 776 coupons on hand. According to our calculation using its monthly reports and user logs, the inventory balance should be 870 coupons, which leads to a shortage of 94 coupons.
- During our physical count of coupons at St. Agatha Catholic Church on February 7, 2017, we counted 474 coupons on hand. According to our calculation using its monthly reports and user logs, the inventory balance should be 478 coupons, which leads to a shortage of four coupons.
- During our physical count of coupons at FASGI Community Wellness Center on February 7, 2017, we counted 2,845 coupons on hand. According to our calculation using its monthly reports and user logs, the inventory balance should be 3,030 coupons, which leads to a shortage of 185 coupons.

**Effect**

The agency did not comply with RRTP Program Participant Agreement.

**Recommendation**

To ensure that tokens are fully accounted for at any point in time, we recommend that:

- Each agency keep track of coupons distributed in first and second half of the year separately.
- Each agency enhances the accuracy of its inventory count to maintain an accurate number on its books and on its reports to FAC.

**FAME Assistance Corporation  
Rider Relief Transportation Program (RRTP)  
Schedule of Findings and Recommendations  
Year ended June 30, 2016**

**Finding 2016-001 – Inventory (Continued)**

**View of Responsible Officials and Planned Corrective Action**

We agree with the audit finding. As a corrective measure, FAC will immediately implement a new policy and procedure that will require agencies to submit an additional monthly report detailing the quantity of coupons received and distributed for the six-month coupon cycle. Each month the agency will be responsible for reconciling the quantity of coupons against the physical count to avoid any discrepancies moving forward.

**FAME Assistance Corporation  
Rider Relief Transportation Program (RRTP)  
Schedule of Prior Year Findings and Recommendations  
Year ended June 30, 2016**

**Finding 2015-001 – Unallowable Expenses**

**Criteria or Specific Requirement**

OMB Circular A-122 provides the principles for determining the cost applicable to work performed by nonprofit organizations under contracts with the government. Under OMB Circular A-122, the factors affecting allowability of costs are the following:

- Be reasonable for the performance of the award and allocable.
- Conform to any limitations or exclusions set forth in the award as to types or amount of cost items.
- Be consistent with policies and procedures.
- Be accorded consistent treatment.
- Be determined in accordance with generally accepted accounting principles.
- Not be included as a cost or used to meet cost sharing or matching requirements.
- Be adequately documented.

**Condition**

The following costs totaling \$20,380 are unallowable for having been charged to the program for the reasons cited below. However, FAC receives a fixed fee for the administration of RRTP and is not reimbursed based on expenses.

Depreciation - \$11,385

FAC allocated a portion of its depreciation expense to the RRTP totaling \$12,956. Based on the depreciation schedule, the amount included depreciation of FAC's buildings. However, FAC also charged facility rent to the program for the use of its office spaces in the building. This is considered a duplication of expenses charged to the program. The amount of building depreciation expense incorrectly charged to RRTP totaled \$11,385.

Indirect Costs (Management Fees) - \$ 7,364

FAC charged monthly fees to manage the program. However, FAC also charged directly to the program a portion of the salaries of its executive management such as the President and Chief Executive Officer, Chief Financial Officer, and the Human Resources Director. This is considered a duplication of salary charges.

Interest - \$1,631

FAC allocates 7.52% of its interest expenses to the program. Under A-122, costs incurred for interest on borrowed capital or the use of the nonprofit organization's own funds, however represented, are unallowable.

**FAME Assistance Corporation  
Rider Relief Transportation Program (RRTP)  
Schedule of Prior Year Findings and Recommendations  
Year ended June 30, 2016**

**Finding 2015-001 – Unallowable Expenses (Continued)**

**Effect**

FAC incurred more administrative expenses in fiscal year 2014/2015. The net administrative expenses of \$307,253 (\$327,633 total administrative expenses identified by FAC minus \$20,380 of unallowable costs) are greater than the fixed fee for administration of \$300,000 paid by LACMTA. Although these costs were unallowable costs were unallowable, FAC did not overbill LACMTA.

**Recommendation**

FAC should determine allowability of expenses prior to billing the program to avoid being questioned or disallowed by LACMTA.

**View of Responsible Officials and Planned Corrective Action**

We agree with the audit finding that our Agency incurred more administrative expenses for the fiscal year 2014/2015. Some of these expense, have been identified to be unallowable: Depreciation, indirect cost (management fees), and interest, for a total of \$20,380. Although, this did not make any difference in total expenses that FAC billed to LACMTA, we have made the following changes for those unallowable expenses as of May 16, 2016:

- 1) FAC no longer booked depreciation, indirect cost (management fees), and interest in the Program; and
- 2) Any accumulated amounts for the current fiscal year have been reclassified to other cost centers.

**Status**

Implemented.

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***EXIT CONFERENCE***

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**FAME Assistance Corporation  
Rider Relief Transportation Program (RRTP)  
Exit Conference  
June 30, 2016**

An exit conference was held on February 28, 2017 with the FAME Assistance Corporation, Inc.'s representatives. Those in attendance were:

**Simpson & Simpson CPAs representatives**

Tiayun Sun – Auditor

**FAC representatives:**

Solon Escobar – Chief Financial Officer

Azim Popatia – Staff Accountant

**Matters discussed:**

Results of the audit disclosed issues of noncompliance with the Guidelines.

A copy of this report was forwarded to the following FAC representatives for comments prior to the issuance of the final report:

Solon Escobar – Chief Financial Officer

Azim Popatia – Staff Accountant