

Human Services Association

**Report on the Rider Relief Transportation Program (RRTP)
by Human Services Association under
its Memorandum of Understanding No. MOU. R2TPHSA2
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**

Human Services Association
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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

To Human Services Association and the
Los Angeles County Metropolitan Transportation Authority

Report on the Financial Statements

We have audited the accompanying financial statements of **the Rider Relief Transportation Program (the Program) by Human Services Association (HSA)**, a not-for-profit organization, funded by the Los Angeles County Metropolitan Transportation Authority (LACMTA), which comprise the statements 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 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 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 Rider Relief Transportation Program by the Human Services Association as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance 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 March 31, 2016, expressed an unmodified opinion on those statements.

Emphasis of Matter

As discussed in Note 3, the financial statements present only the Rider Relief Transportation Program, and do not purport to, and do not present fairly HSA'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.

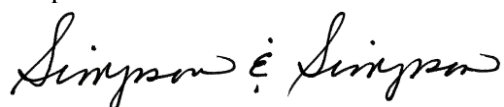
Supplementary Information

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 HSA'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 HSA's internal control over financial reporting and compliance.



February 28, 2017
Los Angeles, California

**Human Services Association
Rider Relief Transportation Program
Statement of Financial Position**

	June 30	
	2016	2015
ASSETS		
Due from LACMTA	\$ 36,065	\$ 28,379
Prepaid printing costs	-	2,321
Total assets	\$ 36,065	\$ 30,700
LIABILITIES AND NET ASSETS		
Liabilities		
Advances from HAS	\$ 25,544	\$ 20,471
Accrued vacation	1,637	3,239
Accrued payroll tax	615	-
Accrued wages and salaries	8,269	6,990
Total liabilities	36,065	30,700
Net assets	-	-
Total liabilities and net assets	\$ 36,065	\$ 30,700

The accompanying notes are an integral part of the financial statements

**Human Services Association
Rider Relief Transportation Program
Statement of Activities**

	Years ended June 30	
	2016	2015
Revenues		
Grant revenue	\$ 200,000	\$ 207,500
Total revenues	<u>200,000</u>	<u>207,500</u>
Expenses		
Program expenses		
Token	-	7,500
Printing	2,738	6,933
Total program expenses	<u>2,738</u>	<u>14,433</u>
Administrative expenses		
Salaries and wages	126,296	114,338
Employee benefits	33,262	29,433
Allocated indirect costs	20,000	20,000
Supplies and materials	2,085	7,431
Office rent	2,703	4,230
Office supplies	3,318	3,397
Postage	-	3,020
Staff mileage	4,081	2,931
Auditing expenses	-	2,000
Office equipment	-	1,865
Utilities	809	1,540
Telephone	579	1,290
Program events	1,455	1,151
Building and grounds maintenance	865	259
Dues and subscriptions	6	182
Staff training/development	1,803	-
Total administrative expenses	<u>197,262</u>	<u>193,067</u>
Total Expenses	<u>200,000</u>	<u>207,500</u>
Change in net assets	-	-
Net assets at beginning of year	-	-
Net assets at end of year	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

**Human Services Association
Rider Relief Transportation Program
Statement of Cash Flows**

	Years ended June 30	
	2016	2015
Cash flows from operating activities		
Change in net assets	\$ -	\$ -
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	-	
Changes in operating assets and liabilities		
Due from LACMTA	(7,686)	11,830
Prepaid printing costs	2,321	(659)
Accrued vacation	(1,602)	1,564
Accrued payroll tax	615	-
Accrued wages and salaries	1,279	520
Net cash provided by (used in) operating activities	(5,073)	13,255
Cash flows provided by (used in) financing activity		
Advances from HSA	5,073	(13,255)
Change in cash	-	-
Cash		
Beginning of year	-	-
End of year	\$ -	\$ -

The accompanying notes are an integral part of the financial statements

**Human Services Association
Rider Relief Transportation Program
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), Jewish Family Service of Los Angeles (JFS) and Human Services Association (HSA). The Los Angeles County Metropolitan Transportation Authority (LACMTA) provides funding for this program under separate Memorandum of Understanding (MOU) by FAC and HSA with LACMTA. Beginning in FY2010, JFS no longer participates in the Program. The purpose of the RRTP program is to provide fare subsidy coupons to eligible Metro bus riders. The service is made available throughout Los Angeles County via a wide range of non-profit and government agencies that distribute subsidy coupons to the neediest segment of the population.

RRTP used to offer two (2) types of transportation subsidies: Coupons and Metro tokens. However, at the beginning of fiscal year 2016, Metro tokens were no longer offered to its qualified riders. During the fiscal year, Subsidy coupons are only provided to the following classified qualified participants: Regular Riders, Senior Citizens, Kindergarten, and College-vocational students.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

HSA 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 HSA for all costs incurred by HSA 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 HSA's financial position as of June 30, 2016, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

NOTE 4 – ADVANCES FROM HSA

HSA advances money to for the operating expenses of the RRTP. Monthly, HSA sends an invoice to LACMTA to seek reimbursement for expenses paid by HSA for operating the RRTP. At June 30, 2016 and 2015, the amounts due to HSA were \$25,544 and \$20,471.

**Human Services Association
Rider Relief Transportation Program
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 HSA in an amount not to exceed two million dollars (\$2,000,000) for transportation and administrative costs. LACMTA will reimburse HSA in administrative costs not to exceed two hundred thousand dollars (\$200,000). Any expenditures exceeding the total contract amount for any fiscal year shall be the sole responsibility of HSA.

The transportation fare media is in the form of transportation subsidy coupons. The value of the subsidy coupons are presented as supplementary information and are not recorded in the statement of activities because of the pass-through nature of the subsidy coupons.

Expenses presented in the Statement of Activities represent reimbursements received from LACMTA of the total expenses incurred by HSA on the RRTP.

NOTE 6 – RRTP COMPLIANCE REQUIREMENTS

The RRTP is governed by the provisions of the Memorandum of Understanding between LACMTA and HSA, and the RRTP Operating Manual (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 – INDIRECT COSTS

Indirect costs are allocated to the program based on direct salaries and wages of those who worked directly on the program. Indirect costs incurred that were in excess of the amount authorized by LACMTA of \$20,000 were not billed to LACMTA.

NOTE 8 – SUBSEQUENT EVENTS

HSA 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 of RRTP.

**Human Services Association
Rider Relief Transportation Program
Schedule of Coupon Distribution by Provider
Year ended June 30, 2016**

Provider		Coupons
Human Services Association	\$	375,776
Goodwill / Central San Gabriel Valley Worksource		13,200
Youth Moving On		13,200
The Salvation Army		11,784
MSC City of Long Beach		9,900
San Gabriel Valley Service Center		6,600
Inland Valley Hope Partners		5,388
Compton YouthBuild		4,560
Field of Dreams Learning Inc.		3,960
Union Station Homeless Services		3,900
Plymouth West		3,600
Mental Health America of LA		3,600
House of Ruth		3,432
Journey House Inc.		1,920
Total	\$	<u>460,820</u>

Note

As stated in Note 5, the above subsidy coupons are not recorded in the statement of activities because of the pass-through nature of the subsidy coupons.

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 Human Services Association 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 Relief Transportation Program (the Program), by the Human Services Association (HSA)**, 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, 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 HSA'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 HSA's internal control. Accordingly, we do not express an opinion on the effectiveness of HSA'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.

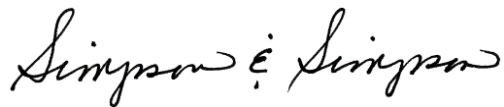
Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any 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 organization'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 organization'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". The signature is written in a cursive, flowing style.

Los Angeles, California
February 28, 2017

COMPLIANCE SECTION



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Independent Auditor's Report on Compliance

To Human Services Association and the
Los Angeles County Metropolitan Transportation Authority

Report on Compliance

We have audited the compliance of the **Human Services Association (HSA)** with the Memorandum of Understanding No. MOU. R2TPHSA2 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 HSA's compliance with the Guidelines.

Auditor's Responsibility

Our responsibility is to express an opinion on HSA's compliance based on our audit. We conducted our audit of compliance 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 referred to in the preceding paragraph. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the RRTP occurred. An audit includes examining, on a test basis, evidence about HSA'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 HSA's compliance with the Guidelines.

Opinion

In our opinion, Human Services Association complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2016.

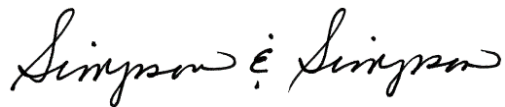
Report on Internal Control over Compliance

Management of HSA 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 HSA'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 HSA's internal control over compliance.

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 preceding paragraph 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.

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 black ink, reading 'Simpson & Simpson' in a cursive script.

Los Angeles, California
February 28, 2017

**Human Services Association
Rider Relief Transportation Program
Schedule of Findings and Recommendations
Year ended June 30, 2016**

There were no reportable findings noted during the fiscal year ended June 30, 2016.

EXIT CONFERENCE

**Human Services Association
Rider Relief Transportation Program
Exit Conference
Year ended June 30, 2016**

An exit conference was held on February 28, 2017 with HSA representatives. Those in attendance were:

Simpson & Simpson CPAs representatives:

Mark Frishwasser, Auditor.

HSA representatives:

Juan J Lopez Solorio, Project Coordinator

Matters discussed:

Results of the audit did not disclose any significant compliance or financial matters.

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

HSA representatives: Juan J Lopez Solorio, Project Coordinator