



MetroTM

**Schedule of EZ Transit Pass Passenger Boarding,
Average Fare Used and EZ Pass Program Reimbursements of
Package A EZ Transit Pass Regional Program Participating Agencies**

*Year Ended June 30, 2016
with Report of Independent Accountants*

**Package A EZ Transit Pass Regional Program Participating Agencies
Schedule of EZ Transit Pass Passenger Boarding, Average Fare Used
and EZ Transit Pass Program Reimbursements
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Report of Independent Auditors on Compliance

To the Los Angeles County Metropolitan Transportation Authority and Package A EZ Transit Pass Regional Program Participating Agencies

Report on Compliance

We have audited the compliance of the Antelope Valley Transit Authority (AVTA), City of Carson (Carson Circuit), City of Culver City (Culver City Municipal Bus Lines), City of Gardena (Gardena Municipal Bus Lines), City of Montebello (Montebello Bus Lines), City of Monterey Park (Monterey Park Spirit Bus) and City of Santa Monica (Santa Monica's Big Blue Bus) (Package A EZ Transit Pass Regional Program Participating Agencies) with their respective Memorandum of Understanding (MOU) with Los Angeles County Metropolitan Transportation Authority (LACMTA) and the Los Angeles County EZ Transit Pass Regional Program Guidelines for Participating Agencies (collectively referred to as Guidelines) for the year ended June 30, 2016.

Management's Responsibility

Management of each Participating Agencies is responsible for the respective agency's compliance with those requirements.

Auditors' Responsibility

Our responsibility is to express an opinion on the Participating Agencies' compliance based on our audits. 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States, the Los Angeles County EZ Transit Pass Regional Program Guidelines for Participating Agencies. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of requirements referred to above that could have a direct and material effect on the EZ Transit Pass Regional Program occurred. An audit includes examining, on a test basis, evidence about the Participating Agencies' 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 of the Participating Agencies' compliance with the Guidelines.

Opinion

In our opinion, the Package A EZ Transit Pass Regional Program Participating Agencies 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 described in the accompanying schedule of findings, recommendations and management responses as Findings #2016-001 through #2016-005. Our opinion on compliance is not modified with respect to these matters.

The responses by the respective Package A EZ Transit Pass Regional Program Participating Agencies to the noncompliance findings identified in our audit are described in the accompanying schedule of findings, recommendations and management responses. The 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 the respective Package A EZ Transit Pass Regional Program Participating Agencies 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 the respective Participating Agencies' 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 the respective Participating Agencies' 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 with the requirements, such that there is a reasonable possibility that 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 with the requirements 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 consider to be material weaknesses. However, material weaknesses or significant deficiencies 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 based on the requirements of the Guidelines. Accordingly, this report is not suitable for any other purpose.



Report on Schedules of EZ Transit Pass Passenger Boarding, Average Fare Used and EZ Transit Pass Program Reimbursements

We have audited the compliance of the Package A EZ Transit Pass Regional Program Participating Agencies with the Guidelines for the year ended June 30, 2016. Our audit was conducted in accordance with 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. The Schedules of EZ Transit Pass Passenger Boarding, Average Fare Used, and EZ Transit Pass Program Reimbursements are presented for purposes of additional analysis as required by the Guidelines.

The Schedules of EZ Transit Pass Passenger Boarding, Average Fare Used and EZ Transit Pass Program Reimbursements are the responsibility of management. Such information has been subjected to the auditing procedures applied to the audit of compliance with the Guidelines, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records, in accordance with auditing standards generally accepted in the United States of America. In our opinion the accompanying Schedules present fairly the Package A EZ Transit Pass Regional Program Participating Agencies' Passenger Boarding, Average Fare Used, and EZ Transit Pass Program Reimbursements, in all material respects for the year ended June 30, 2016 in conformity with the Guidelines.

Los Angeles, California
March 20, 2017

EZ Transit Pass Regional Program
Schedule of EZ Transit Pass Passenger Boarding, Average Fare Used
and EZ Transit Pass Program Reimbursements – Antelope Valley Transit Authority
(AVTA)
Year ended June 30, 2016

	<u>Audited</u>	<u>Billed</u>	<u>Over (Under)</u> <u>Billing</u>
Passenger Boardings [a]			
LACMTA EZ Transit Pass	<u>101,474</u>	<u>101,474</u>	<u>-</u>
Metrolink Pass	<u>46,343</u>	<u>46,343</u>	<u>-</u>
Average Fare Billed [b]			
LACMTA EZ Transit Pass	\$ <u>2.79</u>	\$ <u>2.79</u>	\$ <u>-</u>
Metrolink Pass	<u>2.79</u>	<u>2.79</u>	<u>-</u>
EZ Transit Pass Reimbursement [a x b]			
LACMTA EZ Transit Pass	\$ <u>283,112</u>	\$ <u>283,112</u>	\$ <u>-</u>
Metrolink Pass	<u>129,297</u>	<u>129,297</u>	<u>-</u>
Total	<u>\$ 412,409</u>	<u>\$ 412,409</u>	<u>\$ -</u>

**EZ Transit Pass Regional Program
Schedule of EZ Transit Pass Passenger Boarding, Average Fare Used
and EZ Transit Pass Program Reimbursements – City of Carson
(Carson Circuit)
Year ended June 30, 2016**

Period covered: July 1, 2015 to December 31, 2015

	<u>Audited</u>	<u>Billed</u>	<u>Over (Under) Billing</u>
Passenger Boardings [a]			
EZ Transit Pass	-	9,113	9,113
Average Fare Billed [b]			
EZ Transit Pass	\$ -	\$ 0.80	\$ 0.80
EZ Transit Pass Reimbursement [a x b]			
EZ Transit Pass	<u>\$ -</u>	<u>\$ 7,319</u>	<u>\$ 7,319</u>

Period covered: January 1, 2016 to June 30, 2016

	<u>Audited</u>	<u>Billed</u>	<u>Over (Under) Billing</u>
Passenger Boardings [a]			
EZ Transit Pass	3,951	3,951	-
Average Fare Billed [b]			
EZ Transit Pass	\$ 1.09	\$ 0.88	\$ (0.21)
EZ Transit Pass Reimbursement [a x b]			
EZ Transit Pass	<u>\$ 4,307</u>	<u>\$ 3,490</u>	<u>\$ (817)</u>

Notes: Refer to Schedule of Findings, Recommendations and Management Responses.

**EZ Transit Pass Regional Program
Schedule of EZ Transit Pass Passenger Boarding, Average Fare Used
and EZ Transit Pass Program Reimbursements – City of Culver City
(Culver City Municipal Bus Line)
Year ended June 30, 2016**

		<u>Audited</u>	<u>Billed</u>	<u>Over (Under) Billing</u>
Passenger Boardings	[a]			
EZ Transit Pass		<u>327,493</u>	<u>327,493</u>	<u>-</u>
Average Fare Billed	[b]			
EZ Transit Pass		\$ <u>0.79</u>	\$ <u>0.79</u>	\$ <u>-</u>
EZ Transit Pass Reimbursement	[a x b]			
EZ Transit Pass		\$ <u><u>258,719</u></u>	\$ <u><u>258,719</u></u>	\$ <u><u>-</u></u>

**EZ Transit Pass Regional Program
Schedule of EZ Transit Pass Passenger Boarding, Average Fare Used
and EZ Transit Pass Program Reimbursements – City of Gardena
(Gardena Municipal Bus Lines)
Year ended June 30, 2016**

	<u>Audited</u>	<u>Billed</u>	<u>Over (Under) Billing</u>
Passenger Boardings [a]			
EZ Transit Pass	<u>124,831</u>	<u>124,831</u>	<u>-</u>
Average Fare Billed [b]			
EZ Transit Pass	\$ <u>0.88</u>	\$ <u>0.87</u>	\$ <u>(0.01)</u>
EZ Transit Pass Reimbursement [a x b]			
EZ Transit Pass	\$ <u><u>109,851</u></u>	\$ <u><u>108,603</u></u>	\$ <u><u>(1,248)</u></u>

Notes: Refer to Schedule of Findings, Recommendations and Management Responses.

**EZ Transit Pass Regional Program
Schedule of EZ Transit Pass Passenger Boarding, Average Fare Used
and EZ Transit Pass Program Reimbursements – City of Montebello
(Montebello Bus Lines)
Year ended June 30, 2016**

	<u>Audited</u>	<u>Billed</u>	<u>Over (Under) Billing</u>
Passenger Boardings [a]			
EZ Transit Pass	309,772	304,093	(5,679)
Metrolink EZ Pass	<u>84,430</u>	<u>84,430</u>	<u>-</u>
Average Fare Billed [b]			
EZ Transit Pass	\$ 0.78	\$ 0.70	\$ (0.08)
Metrolink EZ Pass	<u>1.10</u>	<u>1.10</u>	<u>-</u>
EZ Transit Pass Reimbursement [a x b]			
EZ Transit Pass	\$ 241,622	\$ 211,787	\$ (29,835)
Metrolink EZ Pass	<u>92,873</u>	<u>92,873</u>	<u>-</u>
Total	<u>\$ 334,495</u>	<u>\$ 304,660</u>	<u>\$ (29,835)</u>

Notes: Refer to Schedule of Findings, Recommendations and Management Responses.

**EZ Transit Pass Regional Program
 Schedule of EZ Transit Pass Passenger Boarding, Average Fare Used
 and EZ Transit Pass Program Reimbursements – City of Monterey Park
 (Monterey Park Spirit Bus)
 Year ended June 30, 2016**

	<u>Audited</u>	<u>Billed</u>	<u>Over (Under) Billing</u>
Passenger Boardings [a]			
EZ Transit Pass	<u>3,744</u>	<u>3,744</u>	<u>-</u>
Average Fare Billed [b]			
EZ Transit Pass	\$ <u>0.15</u>	\$ <u>0.15</u>	\$ <u>-</u>
EZ Transit Pass Reimbursement [a x b]			
EZ Transit Pass	\$ <u><u>562</u></u>	\$ <u><u>562</u></u>	\$ <u><u>-</u></u>

**EZ Transit Pass Regional Program
Schedule of EZ Transit Pass Passenger Boarding, Average Fare Used
and EZ Transit Pass Program Reimbursements – City of Santa Monica
(Santa Monica’s Big Blue Bus)
Year ended June 30, 2016**

	Audited	Billed	Over (Under) Billing
Passenger Boardings [a]			
EZ Transit Pass - Adult Regular Routes	620,869	620,869	-
EZ Transit Pass - Adult Route 10	39,630	39,630	-
EZ Transit Pass - Senior/Disabled - Regular Routes	192,208	192,208	-
EZ Transit Pass - Senior/Disabled - Route 10	12,268	12,268	-
Average Fare Billed [b]			
EZ Transit Pass - Adult Regular Routes	\$ 0.83	\$ 0.83	-
EZ Transit Pass - Adult Route 10	1.65	1.65	-
EZ Transit Pass - Senior/Disabled - Regular Routes	0.41	0.41	-
EZ Transit Pass - Senior/Disabled - Route 10	0.83	0.83	-
EZ Transit Pass Reimbursement [a x b]			
EZ Transit Pass - Adult Regular Routes	\$ 515,321	\$ 515,321	-
EZ Transit Pass - Adult Route 10	65,390	65,390	-
EZ Transit Pass - Senior/Disabled - Regular Routes	78,805	78,805	-
EZ Transit Pass - Senior/Disabled - Route 10	10,182	10,182	-
Total	\$ 669,698	\$ 669,698	-

Notes: Refer to Schedule of Findings, Recommendations and Management Responses.

**EZ Transit Pass Regional Program
 Schedule of EZ Transit Pass Passenger Boarding, Average Fare Used
 and EZ Transit Pass Program Reimbursement
 Schedule of Findings, Recommendations and Management Responses
 Year ended June 30, 2016**

Finding #2016-001: City of Carson (Carson Circuit)

Criteria	Section V of the Memorandum of Understanding (MOU), "The City shall be responsible for keeping accurate records of all EZ Transit pass boardings".
Condition	<p>The participating agency does not have controls and procedures in place to obtain and review the daily boardings report from the contracted operators for accuracy. The daily boardings report from the former operator, First Transportation, was not made available during our audit. As such, we were not able to verify the number of boardings submitted for reimbursement to LACMTA for the period from July 2015 to December 2015. Total reimbursement for this period was \$7,319.</p> <p>In addition, the daily boardings reports from the current operator, MV Transportation, for the period from January 2016 to June 2016 did not agree to the summary reports. Although the variances are not significant, we recommend for the participating agency to implement controls and procedures to keep records and made them available for inspection and review as stated in the MOU and program guidelines.</p>
Cause	The participating agency did not obtain daily boarding reports and did not review the reports for accuracy.
Effect	The participating agency may be required to return the amount of \$7,319 due to unsupported boardings.
Recommendation	We recommend for the participating agency to implement a process of ensuring that daily boardings from the operators are obtained and reviewed for accuracy by someone from the participating agency.
Management's Response	A process and policy will be created that will detail the ridership of City bus services. This process will include insuring that all bus drivers use the counting mechanism located on each bus as passengers board the bus. At the end of each driver's shift, management will reconcile the fare revenue to the passenger count. At the end of each week, a spreadsheet will be provided to the City from MV Transportation that details the ridership and fare revenue collected for review and approval. The City will also perform manual counting of ridership on a weekly basis for accuracy and audit purposes. This will insure that the information obtained by the contract operator are accurate and correct.

**EZ Transit Pass Regional Program
 Schedule of EZ Transit Pass Passenger Boarding, Average Fare Used
 and EZ Transit Pass Program Reimbursement
 Schedule of Findings, Recommendations and Management Responses
 Year ended June 30, 2016**

Finding #2016-002: City of Carson (Carson Circuit)

Criteria	Section D (1) of the Los Angeles County EZ Transit Pass Regional Program Guidelines for Participating Agencies states that, "Operator boardings shall be reimbursed at the higher of average fare or average cash fare".
Condition	<p>The participating agency calculated the average fare using outdated program guidelines which was effective in 2006, instead of the most recent program guidelines effective for 2008 and onwards.</p> <p>It came to our knowledge that the Memorandum of Understanding that includes the new program guidelines was not established between the participating agency and LACMTA. The LACMTA Transportation Planning Manager has agreed to the use of the formula in the new program guidelines to recalculate the participating agency's reimbursement.</p>
Cause	The participating agency was not aware that the existing contract on file was amended by LACMTA in 2008.
Effect	The participating agency miscalculated its average fare which resulted in under billing of \$817.
Recommendation	We recommend for the participating agency to obtain a copy of the new MOU from LACMTA and revisit its average fare calculation using the updated Guidelines from LACMTA.
Management's Response	We are in contact with the LACMTA Transportation Planning Manager to obtain the copy of the MOU for signature.

**EZ Transit Pass Regional Program
Schedule of EZ Transit Pass Passenger Boarding, Average Fare Used
and EZ Transit Pass Program Reimbursement
Schedule of Findings, Recommendations and Management Responses
Year ended June 30, 2016**

Finding #2016-003: City of Gardena (Gardena Municipal Bus Line)

Criteria	Section D (1) of the Los Angeles County EZ Transit Pass Regional Program Guidelines for Participating Agencies (Guidelines) states that, "Operator boardings shall be reimbursed at the higher of average fare or average cash fare".
Condition	The participating agency's method of calculating the average fare was to use the transaction count on the S100 report as the total number of passenger boardings. The S100 report is only a report of sales transaction and it does not necessarily provide the accurate ridership information. For actual passenger count, the participating agency should use the P100 report that provides the actual number of passenger boardings for use in the calculation of the average fare.
Cause	The participating agency has been using the methodology in the past years and no comments were provided by previous reviewers.
Effect	The participating agency calculated its average fare in error by not using the proper boarding report which resulted in under billing of \$1,248.
Recommendation	We recommend for the participating agency to revise the calculation using the P100 report which captures the actual boarding information instead of the S100 report.
Management's Response	<p>The City has established a new procedure to ensure that the average fare is based on actual revenue and boardings.</p> <p>The City concurs that it under billed LACMTA by \$1,248 during fiscal year 2015-16.</p>

**EZ Transit Pass Regional Program
Schedule of EZ Transit Pass Passenger Boarding, Average Fare Used
and EZ Transit Pass Program Reimbursement
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Finding #2016-004: City of Montebello (Montebello Bus Lines)

Criteria	Section D (1) of the Los Angeles County EZ Transit Pass Regional Program Guidelines for Participating Agencies (Guidelines) states that, "Operator boardings shall be reimbursed at the higher of average fare or average cash fare".
Condition	The participating agency did not consider all the components in the formula as stated in the Guidelines to properly compute the average fare. Montebello Bus Lines (MBL) did not exclude the fare revenue and ridership for students; instead MBL subtracted all unclassified revenue for all fare types from the total monthly collected fare revenue. This yields a much lower average fare ratio for the participating agency.
Cause	Since the EZ Transit Pass Regional program started in July 2007, Montebello Bus Lines (MBL) has utilized a calculation methodology for average fare which was ultra-conservative. MBL excluded its unclassified revenue (all fare types) from the total monthly collected fare revenue.
Effect	The participating agency miscalculated its average fare which resulted in under billing of \$29,835.
Recommendation	We recommend for the participating agency to revisit and revise the average fare calculation to reflect the correct amount of reimbursement from LACMTA.
Management's Response	<p>The calculation methodology used by MBL was accepted by LACMTA and has been in use since the inception of the program. The major reason for applying this method is that it provided MBL a financial cushion and a very conservative average fare calculating ratio which meant MBL would only worry about the possibility of under billing and never over billing.</p> <p>With Smart Card technology now in use, MBL can easily identify each fare category and isolate the specific "student" data and apply the methodology as proposed within the guidelines of the program.</p>

**EZ Transit Pass Regional Program
 Schedule of EZ Transit Pass Passenger Boarding, Average Fare Used
 and EZ Transit Pass Program Reimbursement
 Schedule of Findings, Recommendations and Management Responses
 Year ended June 30, 2016**

Finding #2016-005: City of Santa Monica (Big Blue Bus)

Criteria	The Los Angeles County EZ Transit Pass Regional Program Guidelines for Participating Agencies requires that agencies utilize actual EZ transit pass boardings to calculate fare reimbursement.
Condition	The Big Blue Bus (BBB) has a separate rate of reimbursement between its Express Route 10 and other routes. BBB allocates 6% of total fares to Express Route 10. This percentage is based upon ridership data from June 2015 and prior periods instead of tracking current actual passenger boardings separately between routes.
Cause	BBB utilizes data from periods prior to fiscal year 2016 to calculate its ridership allocation for Express Route 10. Ridership data for Express Route 10 was not accumulated and utilized towards the calculation for fiscal year 2016.
Effect	Fare reimbursements billed and earned in FY 2016 may differ from actual amounts due.
Recommendation	We recommend for the participating agency to utilize current data to ensure that data utilized towards billing calculation is appropriate and reimbursements are calculated using actual ridership.
Management's Response	EZ Pass transitioned to TAP in February 2015. The TAP Ridership data provided by Metro does not reflect ridership by routes, but only by fare category. With the TAP data not recognized by routes, BBB has used a percentage of Express EZ Pass ridership based on historical EZ Express ridership. This method should be acceptable as Metro is only able to provide TAP ridership by system.



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