

**“Package A”  
EZ Transit Pass Regional Program Participants,  
Schedule of EZ Transit Pass Passenger Boardings,  
Average Fare Used, and  
EZ Transit Pass Fare Reimbursements**

*Years ended June 30, 2015 and 2014  
with Independent Auditor’s Report on Compliance*



**“Package A” EZ Transit Pass Regional Program Participants  
Schedule of EZ Transit Pass Passenger Boardings, Average Fare Used,  
and EZ Transit Pass Fare Reimbursements**

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

## Independent Auditor's Report On Compliance

To the Los Angeles County  
Metropolitan Transportation Authority

### Report on Compliance

We have audited the compliance of EZ Transit Pass Passenger Boardings, Average Fare Used, and EZ Transit Pass Fare Reimbursements of the Antelope Valley Transit Authority, City of Carson, City of Monterey Park, County of Los Angeles, Culver City Municipal Bus Lines, Gardena Municipal Bus Lines, Montebello Bus Lines, and Santa Monica's Big Blue Bus for the years ended June 30, 2015 and 2014.

### *Management's Responsibility*

Management of the "Package A" EZ Transit Pass Regional Program Participants is responsible for the respective Participants' compliance with those guidelines.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these schedules based on our audits.

We conducted our audit of compliance in accordance with 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, and the Los Angeles County EZ Transit Pass Regional Program Guidelines for Participating Agencies (Guidelines). Those standards and 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 Participants' 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. Our audit does not provide a legal determination of the Participants' compliance with those requirements.



***Opinion on EZ Transit Pass Passenger Boardings, Average Fare Used and EZ Transit Pass Fare Reimbursements***

In our opinion, the Schedules of EZ Transit Pass Passenger Boardings, Average Fare Used, and EZ Transit Pass Fare Reimbursements of the Antelope Valley Transit Authority, City of Carson, City of Monterey Park, County of Los Angeles, Culver City Municipal Bus Lines, Gardena Municipal Bus Lines, Montebello Bus Lines, and Santa Monica's Big Blue Bus are materially correct and the EZ Transit Pass Regional Program Participants complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Los Angeles County EZ Transit Pass Regional Program for the fiscal years ended June 30, 2015 and 2014.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines, and which are described in the accompanying Summary of Findings and Management's Comments as F-15-01 through F-15-04. Our opinion on each EZ Transit Pass program is not modified with respect to these matters.

The Participants' responses to the noncompliance findings identified in our audit are described in the accompanying Summary of Findings and Management's Comments. The Participants' 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**

The management of the "Package A" EZ Transit Pass Regional Program Participants is responsible for establishing and maintaining effective internal control over compliance with the Requirements referred to above. In planning and performing our audit of compliance, we considered each Participant's internal control over compliance with the Requirements that could have a direct and material effect on the EZ Transit Pass Regional Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Requirements, 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 each Participant'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 under the Requirements on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Requirements 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 limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that we consider to 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 may exist that have not been identified.

A handwritten signature in cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
February 26, 2016

**ANTELOPE VALLEY TRANSIT AUTHORITY**

**EZ Transit Pass Regional Program**

**Schedule of EZ Transit Pass Passenger Boardings, Average Fare Used, and EZ Transit Pass Fare Reimbursements**

**Years Ended June 30**

	2015			2014		
	Reported Amount	Audited Amount	Over (Under) Reported	Reported Amount	Audited Amount	Over (Under) Reported
Passenger Boardings	126,677	128,339	(1,662)	147,954	147,954	-
Average Fare Used	\$ 2.45	\$ 2.77	\$ -	\$ 2.60	\$ 2.45	\$ 0.15
EZ Transit Pass Fare Reimbursement	310,359	355,499	(45,140)	384,680	362,487	22,193
Less: EZ Transit Pass Sales Revenue	(151,113)	(151,113)	-	(163,090)	(163,090)	-
Reimbursement Requested	\$ 159,246	\$ 204,386	\$ (45,140) *	\$ 221,590	\$ 199,397	\$ 22,193

Note:

\* During our audit, the Agency recalculated and submitted an adjusted invoice to MTA. Therefore, this is not a finding.

**CITY OF CARSON**  
**EZ Transit Pass Regional Program**  
**Schedule of EZ Transit Pass Passenger Boardings, Average Fare Used, and EZ Transit Pass Fare Reimbursements**  
**Years Ended June 30**

	<u>2015</u>			<u>2014</u>		
	Reported Amount	Audited Amount	Over (Under) Reported	Reported Amount	Audited Amount	Over (Under) Reported
Passenger Boardings	48,620	48,508	112	45,416	45,416	-
Average Fare Used	\$ 0.8666	\$ 0.8713	\$ (0.0047)	\$ 0.80	\$ 0.80	\$ -
EZ Transit Pass Fare Reimbursement	42,136	42,265	(129)	36,197	36,197	-
Less: EZ Transit Pass Sales Revenue	-	-	-	-	-	-
Reimbursement Requested	<u>\$ 42,136</u>	<u>\$ 42,265</u>	<u>\$ (129) *</u>	<u>\$ 36,197</u>	<u>\$ 36,197</u>	<u>\$ -</u>

Note:

\* See the finding #F-15-01 - City of Carson

**CITY OF MONTEREY PARK**  
**EZ Transit Pass Regional Program**

**Schedule of EZ Transit Pass Passenger Boardings, Average Fare Used, and EZ Transit Pass Fare Reimbursements**  
**Years Ended June 30**

	2015			2014		
	Reported Amount	Audited Amount	Over (Under) Reported	Reported Amount	Audited Amount	Over (Under) Reported
Passenger Boardings	3,007	3,007	-	3,283	3,283	-
Average Fare Used	\$ 0.27	\$ 0.27	\$ -	\$ 0.30	\$ 0.30	\$ -
EZ Transit Pass Fare Reimbursement	812	812	-	985	985	-
Less: EZ Transit Pass Sales Revenue	-	-	-	-	-	-
Reimbursement Requested	\$ 812	\$ 812	\$ -	\$ 985	\$ 985	\$ -



**COUNTY OF LOS ANGELES**  
**EZ Transit Pass Regional Program**

**Schedule of EZ Transit Pass Passenger Boardings, Average Fare Used, and EZ Transit Pass Fare Reimbursements**  
**Years Ended June 30**

	2015			2014		
	Reported Amount (1)	Audited Amount	Over (Under) Reported	Reported Amount	Audited Amount	Over (Under) Reported
Passenger Boardings	87,014	87,014	-	38,614	38,614	-
Average Fare Used	\$ 0.2429	\$ 0.2416	\$ -	\$ 0.2420	\$ 0.2420	\$ -
EZ Transit Pass Fare Reimbursement	21,139	21,022	117	9,345	9,345	-
Less: EZ Transit Pass Sales Revenue	-	-	-	-	-	-
Reimbursement Requested	\$ 21,139	\$ 21,022	\$ 117 *	\$ 9,345	\$ 9,345	\$ -

Note:

\* The variance of \$117 is due to rounding of the lower of service fare or average fare used by each route based on its farebox revenue. Therefore, this is not a finding.

(1) As of date on the report, the County did not submit the FY2015 Invoice: as a result, the summary schedule was alternatively provided by the County to perform an audit.

**CULVER CITY MUNICIPAL BUS LINES**

**EZ Transit Pass Regional Program**

**Schedule of EZ Transit Pass Passenger Boardings, Average Fare Used, and EZ Transit Pass Fare Reimbursements**

**Years Ended June 30**

	2015			2014		
	Reported Amount	Audited Amount	Over (Under) Reported	Reported Amount	Audited Amount	Over (Under) Reported
Passenger Boardings	386,106	386,627	(521)	477,941	477,958	(17)
Average Fare Used	\$ 0.8300	0.8100	0.0200	\$ 0.87	0.83	0.0353
EZ Transit Pass Fare Reimbursement	320,468	313,168	7,300	413,577	396,705	16,872
Less: EZ Transit Pass Sales Revenue	(37,981)	(37,983)	2	(51,259)	(51,348)	89
Reimbursement Requested	\$ 282,487	\$ 275,185	\$ 7,302 *	\$ 362,318	\$ 345,357	\$ 16,961

Note:

\* See the finding #F-15-02 - Culver City Municipal Bus Lines

**GARDENA MUNICIPAL BUS LINES**

**EZ Transit Pass Regional Program**

**Schedule of EZ Transit Pass Passenger Boardings, Average Fare Used, and EZ Transit Pass Fare Reimbursements**

**Years Ended June 30**

	2015			2014		
	Reported Amount	Audited Amount	Over (Under) Reported	Reported Amount	Audited Amount	Over (Under) Reported
Passenger Boardings	164,443	164,443	-	205,723	212,059	(6,336)
Average Fare Used	\$ 0.98/90	0.83	\$	\$ 0.98	\$ 0.90	\$ 0.08
EZ Transit Pass Fare Reimbursement	155,326	136,488	18,839	201,609	191,086	10,522
Less: EZ Transit Pass Sales Revenue	15,815	15,815	-	(10,087)	(10,087)	-
Reimbursement Requested	\$ 139,511	120,673	\$ 18,839 *	\$ 191,522	\$ 180,999	\$ 10,522

Note:

\* On August 5, 2015, the City properly recalculated the Average Fare Used and submitted an adjusted invoice to MTA to return \$18,839. Therefore, this is not a finding.

**MONTEBELLO BUS LINES**

**EZ Transit Pass Regional Program**

**Schedule of EZ Transit Pass Passenger Boardings, Average Fare Used, and EZ Transit Pass Fare Reimbursements**

**Years Ended June 30**

	2015			2014		
	Reported Amount	Audited Amount	Over (Under) Reported	Reported Amount	Audited Amount	Over (Under) Reported
Passenger Boardings	392,798	387,195	5,603	452,183	452,183	-
Average Fare Used	\$ 0.6948	\$ 0.6851	\$ 0.0098	\$ 0.6796	\$ 0.6766	\$ 0.0030
EZ Transit Pass Fare Reimbursement	272,929	265,254	7,675	307,293	305,951	1,342
Less: EZ Transit Pass Sales Revenue	(25,144)	(24,980)	(164)	(28,085)	(28,085)	-
Reimbursement Requested	\$ 247,786	\$ 240,274	\$ 7,512 *	\$ 279,209	\$ 277,867	\$ 1,342

Note:

\* During our audit, the City recalculated and returned \$7,626 to MTA. Therefore, the amount due from MTA is \$114 (\$7,512-\$7,626=-\$114). See the finding #F-15-03.

**SANTA MONICA'S BIG BLUE BUS**

**EZ Transit Pass Regional Program**

**Schedule of EZ Transit Pass Passenger Boardings, Average Fare Used, and EZ Transit Pass Fare Reimbursements**

**Years Ended June 30**

	2015			2014		
	Reported Amount	Audited Amount	Over (Under) Reported	Reported Amount	Audited Amount	Over (Under) Reported
Passenger Boardings	896,293	896,293	-	1,054,915	1,054,915	-
Average Fare Used	\$ 0.82	\$ 0.82	\$ -	\$ 0.83	\$ 0.83	\$ -
EZ Transit Pass Fare Reimbursement	734,131	734,131	-	880,719	880,719	-
Less: EZ Transit Pass Sales Revenue	(312,001)	(312,001)	-	(329,441)	(329,441)	-
Reimbursement Requested	\$ <u>422,130</u>	\$ <u>422,130</u>	\$ - *	\$ <u>551,278</u>	\$ <u>551,278</u>	\$ -

**Finding F-15-01 – City of Carson**

Condition:

The City of Carson invoices LACMTA on a monthly basis using the actual fare box revenue and actual boarding counts to compute the average cash fare. However, the actual boarding counts for the months of April 2015 through June 2015 were not calculated correctly. As a result, fiscal year 2015 reimbursement was under reported by \$129.

***Criteria:***

Per EZ Pass Guidelines, Section D (3), it states that “Each agency will submit to LACMTA at the end of the current fiscal year actual boarding counts. At the end of the fiscal year, the agency will reconcile the average fare or average cash fare based on actual revenue and boardings. Payments will be adjusted based on the reconciled average fare or average cash fare.”

***Effect:***

The City under billed LACMTA by \$129 for fiscal year 2015.

***Recommendation:***

We recommend that the City of Carson establish procedures to ensure that the average fare or average cash fare is properly reconciled with LACMTA based on actual revenue and boardings, and submit an adjusted invoice to LACMTA at the end of each fiscal year.

***Management's Comments:***

The City has established proper procedures for the EZ Transit Pass billing and control of the accounting for the boarding counts for the North and South Shuttle Services. The EZ Pass Transit shall be billed on a quarterly/semi-annually basis and the boarding counts for the North and South Shuttle Services are also accounted for on a daily/weekly basis. The yearend reconciliation will be performed to ensure proper compliance with the program requirement.

**Finding F-15-02 – Culver City Municipal Bus Lines**

***Condition:***

The City of Culver City invoices LACMTA on a monthly basis using fiscal year 2013-14 average fare to compute the average cash fare for fiscal year 2014-15. Reconciliation was performed at the end of the fiscal year to adjust the calculation of average fare or average cash fare based on actual revenue and boardings. However, the City did not submit the actual boarding counts to LACMTA and the payments were not adjusted accordingly based on the reconciled average cash fare. The finding has been repeated from fiscal years 2011, 2012, 2013, and 2014.

***Criteria:***

Per EZ Pass Guidelines, Section D (3), it states that “Each agency will submit to LACMTA at the end of the current fiscal year actual boarding counts. At the end of the fiscal year, the agency will reconcile the average fare or average cash fare based on actual revenue and boardings. Payments will be adjusted based on the reconciled average fare or average cash fare.”

***Effect:***

The City of Culver City overbilled LACMTA by \$7,302 for fiscal year 2014-15.

***Recommendation:***

We recommend that the City of Culver City establish procedures to ensure that all of the current fiscal year's information, including total boarding counts, is considered in the calculation of the average fare or average cash fare. Furthermore, we recommend the City of Culver City thoroughly review the reconciliation for computational errors or inconsistencies prior to submission to LACMTA. The City should return the overbilled fund to LACMTA.

***Management's Comments:***

On a going-forward basis, the City of Culver City will submit boarding counts and the final fiscal year invoice to LACMTA in a timely manner, ideally by August 31<sup>st</sup>. We recognize that the City's fiscal year reconciliation process for EZ Pass transactions needs to occur prior to the annual EZ Pass audit.

The City concurs that it overbilled LACMTA by \$7,302 in fiscal year 2014-2015. This was due to a lower than expected actual average fare which was recalculated during the reconciliation phase of this audit.

**EZ Transit Pass Regional Program  
City of Montebello (Montebello Bus Lines)  
Summary of Findings and Management's Comments  
Year Ended June 30, 2015**

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**Finding F-15-03 – City of Montebello (Montebello Bus Lines)**

***Condition:***

The City of Montebello (Montebello Bus Lines) invoices LACMTA on a monthly basis using the monthly revenue, ridership, unclassified revenue and unclassified passengers to calculate the average fare for fiscal year 2014-2015. Reconciliation was performed at the end of the fiscal year to adjust the calculation of average fare based on actual revenue and boardings. Based on the reconciliation, the City over reported the passenger boardings by \$5,603 and the EZ Transit Pass Sales Revenue by \$164, respectively, which resulted the City's overbilling of \$7,512. During our audit, the City submitted an adjusted invoice and returned \$7,626 to LACMTA. As a result, there was an amount due from LACMTA of \$114 ( $\$7,512 - \$7,626 = -\$114$ )

***Criteria:***

Per EZ Pass Guidelines, Section D (3), it states that "Each agency will submit to LACMTA at the end of the current fiscal year actual boarding counts. At the end of the fiscal year, the agency will reconcile the average fare or average cash fare based on actual revenue and boardings. Payments will be adjusted based on the reconciled average fare or average cash fare."

***Effect:***

The inaccurate amounts were reported to LACMTA.

***Recommendation:***

We recommend that the City of Montebello establish procedures to ensure that the City reconciles the average fare or average cash fare based on actual revenue and boardings and submit an adjusted invoice to LACMTA at the end of each fiscal year prior to our audit.

***Management's Comments:***

In August 2015, LACMTA has established a new protocol for stating the EZ Pass revenues from the TAP equipment. Moving forward LACMTA will submit this report every month to each participating agency as a back-up document to record total monthly sales for EZ Pass products. In addition, the EZ Pass methodology established by the guidelines executed on 10/11/2007 in Attachment B from MOU between LACMTA and participating agencies will continue to be in force until further notice by a simple majority of the LA BOS (Los Angeles Bus Operations Subcommittee) and LTSS (Local Transit Systems Subcommittee) with concurrence of the LACMTA CEO.



**EZ Transit Pass Regional Program  
County of Los Angeles  
Summary of Findings and Management's Comments  
Year Ended June 30, 2015**

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**Finding F-15-04 – County of Los Angeles**

***Condition:***

The County of Los Angeles did not submit any invoices for the fiscal year 2015 to LACMTA as of the report's issuance date.

***Criteria:***

Per EZ Pass Guidelines, Section D (5), it states that "For an Agency to receive reimbursement from METRO, as described above, the agency **shall invoice METRO on a monthly or quarterly basis**. Each invoice shall contain the calculation of the number of all valid EZ transit pass boardings honored for all fixed routes that the agency operated and the Average Cash Fare (estimated or actual). Invoices shall also include the total EZ transit pass sale revenue received by the Agency. The total remittance to the Agency will be the net value of the total EZ transit pass boardings times the Average Fare or Average Cash Fare minus the EZ transit pass sales revenue. All unused, unsold EZ transit passes shall accompany the invoice from the agency".

***Effect:***

The County of Los Angeles is not in compliance with the Guidelines.

***Recommendation:***

We recommend that the County of Los Angeles establish procedures to ensure that the County submit an invoice on a monthly or quarterly basis to LACMTA.

***Management's Comments:***

We agree with the recommendation. We will submit EZ Pass invoices to MTA on a quarterly basis.