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FAME Assistance Corporation

**Report on the Audit of
Immediate Needs Transportation Program (INTP)
by FAME Assistance Corporation under
its Memorandum of Understanding No. MOU.P00FAC8
with the Los Angeles County Metropolitan Transportation Authority**

**As of and for the Years Ended June 30, 2015 and 2014
with Report of Independent Auditors**

FAME Assistance Corporation
Immediate Needs Transportation Program (INTP)
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FINANCIAL SECTION

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Immediate Needs 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 statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, and cash flows for the years 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.

Auditors' 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 the 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.



Emphasis of Matter

As discussed in Note 3, the financial statements present only the Immediate Needs Transportation Program, and do not purport to, and do not present fairly FAC's financial position as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Immediate Needs Transportation Program by the FAME Assistance Corporation as of June 30, 2015 and 2014 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of taxi companies with payment data and outstanding payables to taxi companies (Schedules) are presented for purposes of additional analysis and are not required parts of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2016 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 "Vaqueria & Company LLP".

Los Angeles, California
May 23, 2016

**FAME Assistance Corporation
 Immediate Needs Transportation Program
 Statements of Financial Position**

		June 30	
		2015	2014
ASSETS			
Accounts receivable	\$	126,946	\$ 187,421
Due from FAC		278,495	273,072
		Total assets	\$ 460,493
		405,441	\$ 460,493
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	\$	405,441	\$ 460,493
		Total liabilities	460,493
		405,441	460,493
Net assets			
		Total liabilities and net assets	\$ -
		405,441	\$ 460,493

See notes to financial statements.

FAME Assistance Corporation
Immediate Needs Transportation Program
Statements of Activities

	Years ended June 30	
	2015	2014
Revenues		
Grant revenue	\$ 2,390,110	\$ 2,475,541
Contributions from FAC	72,120	5,783
Total revenues	2,462,230	2,481,324
Expenses		
Program expenses		
Tokens	1,413,500	1,471,500
Taxi vouchers	663,360	656,103
Printing	16,647	23,221
Total program expenses	2,093,507	2,150,824
Administrative expenses		
Salaries and wages	223,392	180,055
Employee benefits	39,879	23,508
Allocated general and administrative costs	39,158	40,737
Payroll taxes	20,438	15,668
Facilities cost	16,695	22,115
Telephone	7,059	4,855
Consultants and purchased services	6,002	17,399
Utilities	3,857	2,196
Insurance	3,499	1,816
Purchased/leased equipment	3,075	2,041
Supplies	2,669	2,912
Security	1,289	6,976
Printing and postage	728	2,494
Travel, conferences and dues	598	853
Repairs and maintenance	385	3,123
Advertising and promotion	-	3,752
Total administrative expenses	368,723	330,500
Total expenses	2,462,230	2,481,324
Change in net assets	-	-
Net assets at beginning of year	-	-
Net assets at end of year	\$ -	\$ -

See notes to financial statements.

**FAME Assistance Corporation
Immediate Needs Transportation Program
Statements of Cash Flows**

	Years ended June 30	
	2015	2014
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		
Accounts receivable	60,475	(7,060)
Accounts payable	(55,052)	(104,123)
Net cash provided (used in) by operating activities	5,423	(111,183)
Cash flows from financing activities		
Due from FAC	(5,423)	111,183
Net cash provided by (used in) financing activities	(5,423)	111,183
Change in cash	-	-
Cash		
Beginning of year	-	-
End of year	\$ -	\$ -

See notes to financial statements.

NOTE 1 BACKGROUND

The Immediate Needs Transportation Program (INTP) was created in 1992 upon a cooperative partnership with FAME Assistance Corporation (FAC) and the International Institute of Los Angeles (IILA). The purpose of the INTP is to provide supplemental transportation assistance to meet the basic needs of individuals in the Los Angeles County with limited resources. The Los Angeles County Metropolitan Transportation Authority (LACMTA) provides funding for this program under separate MOUs by FAC and IILA with LACMTA.

FAC and IILA make the service available throughout the Los Angeles County through a wide range of not-for-profit and government agencies that distribute taxi coupons and tokens/scrips to their respective clients who meet certain eligibility requirements.

INTP provides three types of transportation subsidies: transit tokens/scrips, \$11 taxi coupons and variable value vouchers.

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 INTP, and do not purport to, and do not present fairly the FAC's financial position as of June 30, 2015 and 2014, 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 DUE FROM FAC

FAC advances money to fund the operating expenses of the INTP, except for amounts payable to the taxi companies. Monthly, FAC sends an invoice to LACMTA to seek reimbursement for expenses incurred by FAC for operating the INTP. During the years ended June 30, 2015 and 2014, there were liabilities to the taxi companies that were not yet paid by FAC but already billed to LACMTA. At June 30, 2015 and 2014, the amounts due from FAC were \$278,495 and \$273,072, respectively.

NOTE 5 ALLOCATION FOR THE YEAR

On July 1, 2014, the LACMTA Board of Directors authorized a not-to-exceed amount of \$2,500,000 for all costs incurred in the performance of the Program for FY2014/2015. This amount includes administrative costs of not-to-exceed \$325,000 and transportation fare media for distribution of not-to-exceed \$2,175,000. Administrative costs exceeding the authorized amount are the responsibility of FAC.

Expenses presented in the Statements of Activities represent reimbursements received from LACMTA of costs incurred by FAC on the INTP.

NOTE 6 INTP COMPLIANCE REQUIREMENTS

The INTP is governed by the provisions of the Memorandum of Understanding between LACMTA and FAC, and the INTP Operating Guidelines (collectively, the Guidelines). The Guidelines provide, among other requirements, that transportation subsidies be distributed to Los Angeles County residents living below poverty level and who will use the subsidy for trips pertaining to job search, medical needs and other purposes deemed appropriate under the Guidelines.

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 subsequent events through May 23, 2016, 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.

SUPPLEMENTARY INFORMATION

**FAME Assistance Corporation
Immediate Needs Transportation Program
Supplementary Information
Schedule of Taxi Companies with Payment Data
Year ended June 30, 2015**

<u>Taxi Company</u>	<u>Taxi Coupons</u>	<u>Variable Value Vouchers</u>	<u>Total</u>
Administrative Services Co-op. (dba: LA Taxi / Fiesta Yellow Cab)	\$ 133,860	\$ 272,706	\$ 406,566
AAA Yellow Cab Co.	2,988	244	3,232
Bell Cab Co-op	122,482	1,546	124,028
Beverly Hills Cab Co.	4,669	1,658	6,327
Best Taxi and Delivery Service, LLC (dba: Yellow Star Cab Co.)	209	-	209
Expressway Transportation System	11	-	11
G & S Transit Management, Inc. (dba: City Cab)	208	647	855
Gorgee Enterprises, Inc.	107	269	376
Green Valley Cab, Inc.	940	2,978	3,918
Independent Taxi Owner's Association	15,823	44,931	60,754
JR Taxi Services, Inc. (dba City Cab)	3,776	-	3,776
LA City Cab, LLC (dba: City Cab)	942	1,168	2,110
L.A. Checker Cab Co-op	4,735	695	5,430
Metro Cab	258	-	258
Mid Valley Yellow Cab	-	45	45
Tri-City Transportation Systems, Inc. EM	75	292	367
Tri-City Transportation Systems, Inc. SV	178	898	1,076
United Independent Taxi Drivers	32,290	10,610	42,900
United Taxi of Southwest, Inc.	910	212	1,122
Total \$	<u>324,461</u>	<u>\$ 338,899</u>	<u>\$ 663,360</u>

Note:

This schedule presents the amount of redeemed coupons and vouchers billed by taxi companies to FAC based on the actual coupons and vouchers redeemed by INTP participants.

See report of independent auditors.

**FAME Assistance Corporation
Immediate Needs Transportation Program
Supplementary Information
Schedule of Outstanding Payables to Taxi Companies
Year ended June 30, 2015**

<u>Taxi Company</u>	<u>0-30 Days</u>	<u>31-60 Days</u>	<u>61-90 Days</u>	<u>91-120 Days</u>	<u>Over 120 Days</u>	<u>Total</u>
AAA Yellow Cab Co.	\$ -	\$ 280	\$ -	\$ 635	\$ 429	\$ 1,344
Administrative Services Co-op. (dba: LA Taxi / Fiesta Yellow Cab)	20,872	30,072	31,301	36,622	41,557	160,424
Bell Cab Co-op	10,615	9,057	11,875	10,034	61,940	103,521
Best Taxi and Delivery Service, LLC (dba: Yellow Star Cab Co.)	11	44	22	22	33	132
Beverly Hills Cab Co.	635	418	316	690	1,089	3,148
Expressway Transportation System	-	-	-	-	11	11
G & S Transit Management, Inc. (dba: City Cab)	40	-	-	-	-	40
Gorgee Enterprises, Inc.	57	-	95	94	146	392
Green Valley Cab, Inc.	202	345	307	442	550	1,846
Independent Taxi Owner's Association	4,198	4,970	6,199	5,529	50,167	71,063
JR Taxi Services, Inc. (dba City Cab)	449	297	483	428	857	2,514
L.A. Checker Cab Co-op	328	392	461	453	1,493	3,127
LA City Cab, LLC (dba: City Cab)	162	-	-	-	-	162
Metro Cab	258	-	-	-	-	258
Tri-City Transportation Systems, Inc. EM	42	-	-	-	-	42
Tri-City Transportation Systems, Inc. SV	102	-	-	-	-	102
United Independent Taxi Drivers	2,793	3,362	2,984	2,869	44,908	56,916
United Taxi of South-West, Inc.	44	110	28	76	141	399
Total	\$ 40,808	\$ 49,347	\$ 54,071	\$ 57,894	\$ 203,321	\$ 405,441

See report of independent auditors.

**Report of Independent Auditors 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 Immediate Needs Transportation Program (the Program) by the 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, 2015, and the related statements of activities, and cash flows for the year ended, and the related notes to financial statements, and have issued our report thereon dated May 23, 2016.

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 consider 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 "Vaqueria & Company LLP". The signature is written in a cursive, flowing style.

Los Angeles, California

May 23, 2016

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

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

Report on Compliance

We have audited the compliance of the FAME Assistance Corporation (FAC) with the Memorandum of Understanding No. P00FAC8 and INTP Operating Guidelines (collectively, the Guidelines) for the year ended June 30, 2015.

Management's Responsibility

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

Auditors' 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 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 INTP 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, 2015.

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 Findings Nos. 2015-001 and 2015-002 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 FAC 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 combination of deficiencies, in internal control over compliance, 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 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. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Vaqueria & Company LLP". The signature is written in a cursive, flowing style.

**Los Angeles, California
May 23, 2016**

Finding No. 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 \$27,908 are questionable for having been charged to the program for the reasons cited below. However, FAC receives a fixed fee for the administration of INTP and is not reimbursed based on expenses.

Depreciation - \$14,231

FAC allocated a portion of its depreciation expenses to the INTP totaling \$16,195. 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 that was charged to the program. The amount of building depreciation expenses that was charged to INTP totaled \$14,231.

Indirect Costs (Management Fees) - \$10,902

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 - \$2,039

FAC allocates 9.4% 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.

Consultants - \$736

A consultant's fee amounting to \$736 who spent time working on FAC's EDA micro loan audit was charged to the INTP program.

Finding No. 2015-001 – Unallowable Expenses (continued)

Effect

FAC incurred more administrative expenses in fiscal year 2014/2015. The net administrative expenses of \$340,815 (\$368,723 total administrative expenses identified by FAC minus \$27,908 of unallowable costs) are greater than the fixed fee for administration of \$325,000 paid by Metro. Although these 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.

Views 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 \$27,908. 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.

Finding 2015-002 – Cash Management

Criteria or Specific Requirement

Under the Immediate Needs Transportation Program (INTP) agreement between LACMTA and FAC, FAC shall act as the administrator and coordinator of INTP within the designated area. FAC shall be reimbursed by LACMTA for the administrative services and subsidies provided by FAC to operate INTP.

While not specifically stipulated in the MOU, most government grants require for expenses to be paid with grantee funds before requesting for reimbursement or for those under the cash advance method, to minimize the lapse of time from the receipt of funds to the actual disbursement.

Condition

The accounts payable aged invoice report to the taxi companies as of June 30, 2015 shows that there were amounts that were past due for more than 90 days.

As of June 30, 2015, the total amount due to the taxi companies amounted to \$405,441 and, of this amount, a total of \$261,215 has been outstanding for more than 90 days.

Effect

The taxi companies may not continue their services with the INTP which will reduce the number of eligible taxi companies resulting to delays in servicing the INTP recipients.

Recommendation

We suggest that FAC promptly settle its liabilities to the taxi companies to comply with the cash management compliance requirement.

Views of Responsible Officials and Planned Corrective Action

FAC settled these liabilities with most of the cab companies as of December 31, 2015. As of May 19, 2016, there is a remaining outstanding balance of \$100,707 that is owed to one cab company (Administrative Services Co-op). FAC has an agreement with the cab company to settle the liability by end of June 2016.

**FAME Assistance Corporation
Immediate Needs Transportation Program
MOU.P00FAC8
Schedule of Prior Year Findings and Recommendations
Year ended June 30, 2015**

Finding 2014-001 – Unallowable Expenses

Criteria or Specific Requirement

Under Section 3(B) of the Agreement, direct and indirect charges and expenses shall be billed with costs supported by receipts, invoices, etc., copies of which shall be attached to the invoice.

Costs incurred for interest on borrowed capital, temporary use of endowment funds, or the use of the nonprofit organization's own funds, however represented, are unallowable.

Condition

FAC charged the INTP interest expense totaling \$1,923 which is not an allowable expense. Also, during our test of expenses, 7 of 15 samples totaling \$7,940 were not supported by vendors' invoices or receipts as required under the Agreement. These expenses pertain to outside services, security, printing and publication, information technology, promotional materials and advertising, insurance, and property repairs and maintenance. Total unsupported transactions amounted to \$15,907 after considering similar expenses for the rest of the year.

Effect

Possible overstatement of program expenses.

Recommendation

To avoid disallowance of expenses, FAC should attach to the journal vouchers the corresponding copies of invoices supporting the transactions charged to the Program. If FAC cannot provide the supporting documents to the above transactions, we suggest that FAC return the amount of \$17,830 to LACMTA.

Views of Responsible Officials and Planned Corrective Action

Toward the end of the fiscal year 2014, our CFO at the time, did not do his due diligence with regards to reviewing and adhering to the MTA billing agreement. He billed some expenses with the expectation that he would have the documentation at fiscal year-end. This plan did not materialize and we had to replace our CFO. A new CFO took over the position of leading the Finance Department.

Since then, a new procedure has been established in which the invoices are scrutinized for accuracy and compliance before submission. We are having two accountants checking the invoices to make sure that every expense is allowable based on our reimbursable agreement.

Status

MTA has deducted \$17,830 from its payment to FAC. Expenses charged to the program are now duly supported.

EXIT CONFERENCE

An exit conference was held on May 23, 2016 with FAC representatives. Those in attendance were:

Vasquez & Company LLP representatives:
Roger Martinez – Partner
Marialyn Salvador – Audit Manager

FAC representatives:
Solon Escobar – Controller
Azim Popatia – Billing Manager

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 – Controller
Azim Popatia – Billing Manager

Vasquez & Company LLP
801 S. Grand Avenue, Suite 400
Los Angeles, CA 90017

RE: ANNUAL FINANCIAL REPORT OF THE IMMEDIATE NEEDS TRANSPORTATION PROGRAM BY THE FAME ASSISTANCE CORPORATION UNDER MEMORANDUM OF UNDERSTANDING NO. MOU.P00FAC8 WITH THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FOR THE YEARS ENDED JUNE 30, 2015 AND 2014.

I have received the annual financial report of the Immediate Needs Transportation Program (INTP) by the FAME Assistance Corporation (FAC) for the years ended June 30, 2015 and 2014 and agreed with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date



www.vasquezcpa.com

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