



Metro™

Human Services Association

**Report on the Audit of
Rider Relief Transportation Program (RRTP)
by the 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, 2015 and 2014
with Report of Independent Auditors**

An Independently Owned Member
McGLADREY ALLIANCE



 **Vasquez**
& Company LLP
Certified Public Accountants and Business Consultants

**Human Services Association
Rider Relief Transportation Program
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FINANCIAL SECTION

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the financial statements of the Rider Relief Transportation Program (the Program) by the 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, 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 audits 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 Rider Relief Transportation Program, and do not purport to, and do not, present fairly HSA'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 conformity 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 Rider Relief Transportation Program by the Human Services Association 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of token and coupon distributions by provider are presented for purposes of additional analysis and are not required part of the financial statements. The schedule of coupon distributions by provider has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The schedule of token distributions by provider is the responsibility of management and was derived from and relates 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 March 31, 2016 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.

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

Los Angeles, California
March 31, 2016

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

		June 30		
		2015	2014	
ASSETS				
Due from LACMTA	\$	28,379	\$	40,209
Prepaid printing costs		2,321		1,662
Total assets	\$	30,700	\$	41,871
LIABILITIES AND NET ASSETS				
Liabilities				
Advances from HSA	\$	20,471	\$	33,726
Accrued vacation		3,239		1,675
Accrued wages and salaries		6,990		6,470
Total liabilities		30,700		41,871
Net assets		-		-
Total liabilities and net assets	\$	30,700	\$	41,871

See notes to financial statements.

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

	Years ended June 30	
	2015	2014
Revenues		
Grant revenue	\$ 207,500	\$ 207,500
Total revenues	207,500	207,500
Expenses		
Program expenses		
Tokens	7,500	7,500
Printing	6,933	17,992
Total program expenses	14,433	25,492
Administrative expenses		
Salaries and wages	114,338	120,597
Employee benefits	29,433	25,276
Allocated indirect costs	20,000	20,000
Supplies and materials	7,431	3,072
Office rent	4,230	1,326
Office supplies	3,397	4,275
Postage	3,020	-
Staff mileage	2,931	1,624
Auditing expenses	2,000	2,000
Office equipment	1,865	803
Utilities	1,540	152
Telephone	1,290	-
Program events	1,151	948
Building and grounds maintenance	259	780
Dues and subscriptions	182	180
Maintenance	-	950
Staff recruitment	-	25
Total administrative expenses	193,067	182,008
Total expenses	207,500	207,500
Change in net assets	-	-
Net assets at beginning of year	-	-
Net assets at end of year	\$ -	\$ -

See notes to financial statements.

**Human Services Association
Rider Relief 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		
Due from LACMTA	11,830	(6,387)
Prepaid printing costs	(659)	2,330
Accrued audit fees	-	(1,000)
Accrued vacation	1,564	(837)
Accrued wages and salaries	520	(646)
Net cash provided by (used in) operating activities	13,255	(6,540)
Cash flows provided by (used in) financing activity		
Advances from HSA	(13,255)	6,540
Change in cash	-	-
Cash		
Beginning of year	-	-
End of year	\$ -	\$ -

See notes to financial statements.

NOTE 1 BACKGROUND

The Rider Relief Transportation Program (RRTP) was established in 2007 upon a cooperative partnership among FAME Assistance Corporation (FAC), Jewish Family Service of Los Angeles (JFS) and Human Services Association (HSA). The Los Angeles County Metropolitan Transportation Authority (LACMTA) (Metro) provides funding for this program under separate Memorandum of Understanding (MOU) by FAC and HSA with LACMTA. Beginning in FY 2010, 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 offers two (2) types of transportation subsidies: Coupons and Metro tokens. Subsidy coupons are further classified into 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.

NOTE 3 REPORTING ENTITY

The financial statements present only the Rider Relief Transportation Program, and do not purport to, and do not present fairly the HSA'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 conformity with accounting principles generally accepted in the United States of America.

NOTE 4 ADVANCES FROM HSA

HSA advances money 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, 2015 and 2014, the amounts due to HSA were \$20,471 and \$33,726, respectively.

NOTE 5 ALLOCATION FOR THE YEAR

In May 2014, MOU No. MOU.R2TPHSA2 authorized a not-to-exceed amount of \$2,000,000 for all costs incurred in the performance of the Program for FY 2014-2015. This amount includes administrative costs in amount not-to-exceed \$200,000 and transportation fare media in an amount not-to-exceed \$1,800,000. Any costs exceeding the budget amount are the responsibility of HSA.

The transportation fare media are in the form of transportation subsidy coupons and tokens. The value of the tokens are recorded in the statement of activities while the value of the subsidy coupons are presented as a 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 Statements of Activities represent reimbursements received from LACMTA of costs incurred by HSA on the RRTP.

NOTE 6 RRTP COMPLIANCE REQUIREMENTS

The RRTP is governed by the provisions of the MOU 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 subsequent events through March 31, 2016, the date the financial statements were available to be issued, and concluded no events have occurred that require disclosure or adjustments to the financial statements of RRTP.

SUPPLEMENTARY INFORMATION

**Human Services Association
Rider Relief Transportation Program
Schedule of Token Distributions by Provider
Year ended June 30, 2015**

<u>Provider</u>	<u>Tokens</u>
Human Services Association	\$ 3,270
Goodwill / Central San Gabriel Valley Worksource	1,830
City of Long Beach Multi-Service Center	2,100
Salvation Army	225
Journey House	<u>75</u>
Total \$	<u>7,500</u>

See report of independent auditors.

**Human Services Association
Rider Relief Transportation Program
Schedule of Coupon Distributions by Provider
Year ended June 30, 2015**

<u>Provider</u>	<u>Coupons</u>
Human Services Association	\$ 1,495,210
Goodwill / Central San Gabriel Valley Worksource	14,200
City of Long Beach Multi-Service Center	3,240
Plymouth West	3,240
Compton YouthBuild	2,280
Hillsides	2,200
Harbour Area Halfway Houses	1,320
Salvation Army	1,090
Journey House	<u>800</u>
Total	\$ <u>1,523,580</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 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 the 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, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated March 31, 2016.

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

Los Angeles, California

March 31, 2016

COMPLIANCE SECTION

Report of Independent Auditors 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 Rider Relief Transportation Program (RRTP) Operating Guidelines (collectively, the Guidelines) for the year ended June 30, 2015.

Management's Responsibility

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

Auditors' 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. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the Guidelines referred to above that could have a direct and material effect on the RRTP 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, the Human Services Association complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2015.



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 over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that 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 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".

Los Angeles, California
March 31, 2016

**Human Services Association
Rider Relief Transportation Program
Schedule of Findings and Recommendations
Year ended June 30, 2015**

There were no reportable findings noted during the fiscal year ended June 30, 2015.

Finding 2014-001 - Client Eligibility (at Goodwill/Worksource Center)

Criteria or Specific Requirement

Participating agency will distribute subsidy coupons and Metro tokens only to eligible participants as specified in the Guidelines.

Condition

During our eligibility testing, 2 out of 10 selected samples did not have participant application form on file to support the eligibility of the participant.

Effect

Participating agency may have issued subsidy coupons or Metro tokens to ineligible clients.

Recommendation

Participating agency should ensure that eligibility of participants is documented prior to issuance of the subsidy coupons or Metro tokens.

Views of Responsible Officials and Planned Corrective Action

HSA will monitor all participants who receive subsidies through Goodwill/Worksource Center by ensuring that the participating agency submits the distribution logs monthly and that copies of participant application forms agree with the distribution logs. This will ensure that participants are eligible and have application forms on file.

Status

Implemented.

EXIT CONFERENCE

An exit conference was held on March 31, 2016 at the HSA office in Bell Gardens, CA. Those in attendance were:

Vasquez & Company LLP representative:

Isidro Conde – Manager

HSA representatives:

Alfredo Hernandez – Accounting Manager

Diana Hernandez – Program 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:

Alfredo Hernandez – Accounting Manager

Diana Hernandez – Program Coordinator

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

RE: HUMAN SERVICES ASSOCIATION ANNUAL FINANCIAL REPORT OF THE RIDER RELIEF TRANSPORTATION PROGRAM BY THE HUMAN SERVICES ASSOCIATION UNDER MEMORANDUM OF UNDERSTANDING NO. MOU.R2TPHSA2 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 Rider Relief Transportation Program (RRTP) of the Human Services Association (HSA) 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

Vasquez & Company LLP has over 45 years of experience in performing audit, accounting & consulting services for all types of nonprofit organizations, for-profit companies, governmental entities and publically traded companies. Vasquez is a member of the McGladrey Alliance. McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. McGladrey Alliance provides its members with access to resources of RSM US LLP (formerly known as McGladrey LLP). McGladrey Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Visit <http://www.rsmus.com/aboutus> for more information regarding RSM US LLP and RSM International. McGladrey®, the McGladrey Alliance logo and the McGladrey Alliance signatures are proprietary to RSM US LLP, while RSM™ is used under license by RSM US LLP.

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