

**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, 2017 and 2016  
with Independent Auditor's Report**



Simpson & Simpson, LLP  
Certified Public Accountants

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

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## Independent Auditor's Report

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 the FAME Assistance Corporation (FAC)**, a not-for-profit organization, funded by the Los Angeles County Metropolitan Transportation Authority (LACTMA), which comprise the statement of financial position as of June 30, 2017 and 2016, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.





***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Immediate Needs Transportation Program by FAME Assistance Corporation, Inc. as of June 30, 2017 and 2016, 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.

***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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Supplementary Information***

Our audit was 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 the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2018 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 cursive script that reads "Simpson &amp; Simpson".

February 16, 2018  
Los Angeles, California

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

		June 30	
		2017	2016
<b>ASSETS</b>			
Due from LACMTA	\$	80,556	\$ 160,028
<b>Total assets</b>	<b>\$</b>	<b>80,556</b>	<b>\$ 160,028</b>
 <b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accounts payable	\$	61,065	\$ 104,328
Due to FAC (Note 4)		19,491	55,700
<b>Total liabilities</b>		<b>80,556</b>	<b>160,028</b>
<b>Net assets</b>		-	-
<b>Total liabilities and net assets</b>	<b>\$</b>	<b>80,556</b>	<b>\$ 160,028</b>

The accompanying notes are an integral part of the financial statements

**FAME Assistance Corporation**  
**Immediate Needs Transportation Program (INTP)**  
**Statements of Activities**

	Years Ended June 30	
	2017	2016
<b>REVENUES</b>		
Grant revenue	\$ 2,312,993	\$ 2,351,766
Contribution from FAC	11,421	3,716
<b>Total revenues</b>	2,324,414	2,355,482
 <b>EXPENDITURES</b>		
<b>Program expenses</b>		
Tokens	1,412,250	1,412,250
Taxi voucher	574,782	614,522
Printing	20,006	19,589
<b>Total program expenses</b>	2,007,038	2,046,361
<b>Administrative expenses</b>		
Salaries and wages	217,299	208,403
Employee benefits	37,716	36,902
Payroll taxes	18,355	17,180
Facilities cost	16,168	16,919
Allocated general and administrative costs	11,058	9,635
Telephone	8,850	7,428
Printing and postage	5,003	5,853
Travel, conferences and dues	722	1,886
Supplies	699	1,675
Insurance	659	1,361
Purchased/leased equipment	454	952
Consultants and purchased services	344	881
Repairs and maintenance	30	36
Security	19	10
<b>Total administrative expenses</b>	317,376	309,121
<b>Total expenses</b>	2,324,414	2,355,482
 Change in net assets	-	-
Net assets at beginning of year	-	-
Net assets at end of year	\$ -	\$ -

The accompanying notes are an integral part of the financial statements

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

	Years ended June 30	
	2017	2016
<b>Cash from operating activities</b>		
Change in net assets	\$ -	\$ -
Adjustment to reconcile change in net asset to net cash provided by (used in) operating activities: change in operating assets and liabilities		
Due from LACMTA	79,472	(33,082)
Accounts payable	(43,263)	(301,113)
<b>Net cash provided by (used in) operating activities</b>	36,209	(334,195)
 <b>Cash from financing activities</b>		
Due from FAC	-	278,495
Due to FAC	(36,209)	55,700
<b>Net cash (used in) provided by financing activities</b>	(36,209)	334,195
 <b>Change in cash</b>		
 <b>Cash</b>		
Beginning of year	-	-
End of year	\$ -	\$ -

The accompanying notes are an integral part of the financial statements

**FAME Assistance Corporation**  
**Immediate Needs Transportation Program (INTP)**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

**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 (LACTMA) 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, 2017 and 2016, 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 TO FAC**

FAC advances money for 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 paid by FAC for operating the INTP. At June 30, 2017 and 2016, the amount due to FAC were \$19,491 and \$55,700, respectively.

**FAME Assistance Corporation**  
**Immediate Needs Transportation Program (INTP)**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

**NOTE 5 – ALLOCATION FOR THE YEAR**

On the Amendment No. 1 Agreement dated July 1, 2015, the LACMTA Board of Directors authorized a not-to-exceed amount of \$325,000 for administrative costs and a not-to-exceed amount of \$2,175,000 for transportation fare media costs. Any expenditures exceeding the total contract amount for a particular fiscal year shall be the sole responsibility of FAC.

Expenses presented in the Statements of Activities represent reimbursements received from LACMTA of the total expenses 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 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 events through February 16, 2018, 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.

**FAME Assistance Corporation  
Immediate Needs Transportation Program (INTP)  
Supplementary Information  
Schedule of Taxi Companies with Payment Data  
Year ended June 30, 2017**

<b>Taxi Company</b>	<b>TAXI COUPONS</b>	<b>Variable Value Vouchers</b>	<b>Total</b>
Administrative Services Co-op.	\$ 99,070	\$ 249,842	\$ 348,912
All Yellow Taxi Inc	1,813	548	2,361
Bell Cab	122,418	2,160	124,578
Best Taxi	88	-	88
Beverly Hills	6,309	1,495	7,804
Blue & Yellow Taxi	2,657	197	2,854
G&S Transit	33	641	674
Gorgee Entp.Inc	-	393	393
Green Valley	2,970	4,295	7,265
Independent Taxi	9,683	26,808	36,491
JR Taxi	3,021	1,130	4,151
L,A, Checker Cab	1,097	550	1,647
LA City Cab	558	525	1,083
Tri-city Transp. Sun Valley	210	1,093	1,303
Tri-city Transp. El monte	33	23	56
United Independent Taxi	20,868	13,480	34,348
United Taxi of the s.w	470	304	774
<b>Total</b>	<b>\$ 271,298</b>	<b>\$ 303,484</b>	<b>\$ 574,782</b>

See accompanying independent auditor's report

**FAME Assistance Corporation**  
**Immediate Needs Transportation Program (INTP)**  
**Supplementary Information**  
**Schedule of Outstanding Payables to Taxi Companies**  
**Year ended June 30, 2017**

<u>Taxi Company</u>	<u>0-30 DAYS</u>	<u>TOTAL</u>
Administrative Services Co-op.	\$ 43,280	\$ 43,280
All Yellow Taxi Inc	220	220
Bell Cab	11,712	11,712
Best Taxi	33	33
Beverly Hills	559	559
Blue & Yellow Taxi	273	273
G&S Transit	113	113
Gorgee Entp.Inc	28	28
Green Valley	817	817
Independent Taxi	2,027	2,027
JR Taxi	285	285
L,A, Checker Cab	-	-
LA City Cab	94	94
Tri-city Transp. Sun Valley	260	260
Tri-city Transp. El monte	33	33
United Independent Taxi	1,331	1,331
<b>Total</b>	<b>\$ 61,065</b>	<b>\$ 61,065</b>

See accompanying independent auditor's report



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## **Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

### **Report on Compliance**

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 (INTP) (the Program) by the FAME Assistance Corporation, Inc. (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, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 16, 2018.

### **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 considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 "Simpson &amp; Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California  
February 16, 2018

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***COMPLIANCE SECTION***

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## Independent Auditor's Report on Compliance

To FAME Assistance Corporation, Inc. and the  
Los Angeles County Metropolitan Transportation Authority  
Report on Compliance

We have audited the compliance of the **FAME Assistance Corporation, Inc. (FAC)** with the Memorandum of Understanding No. MOU. P000FAC8 and the Immediate Needs Transportation Program (INTP) Operating Guidelines (collectively, the Guidelines) for the year ended June 30, 2017.

### Management's Responsibility

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

### Auditor's 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 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 INTP Program 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, Inc. complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2017.



## 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 Finding Nos. 2017-001, 2017-002, and 2017-003 in the accompanying Schedule of Findings and Recommendations. Our opinion is not modified with respect to these matters.

## Report on Internal Control over Compliance

Management of FAME Assistance Corporation, Inc. 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a 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 considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing. Accordingly, this report is not suitable for any other purpose.

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

Los Angeles, California  
February 16, 2018

**FAME Assistance Corporation  
Immediate Needs Transportation Program (INTP)  
Schedule of Findings and Recommendations  
Year ended June 30, 2017**

**Finding 2017-001 – Inventory**

**Criteria or Specific Requirement**

Under the INTP Participation Agreement, grantees will take full responsibility and liability for the security of FAC subsidy coupons, vouchers, and LACMTA tokens. Participant agrees to keep all subsidy coupons, vouchers, and LACMTA tokens in a locked area with limited access and agrees to conduct random spot checks to ensure actual LACMTA tokens on hand match reported amount. If subsidy coupons and LACMTA tokens are kept in several locations, the Participant agrees to institute an internal token log sheet to record LACMTA token distribution to staff.

**Condition**

During our review of the agency site visits, we noted the following:

- During our physical count of coupons at South Central Prevention Coalition on February 13, 2018, we counted four hundred twenty (420) tokens on hand. According to our calculation using its monthly reports and user logs, the inventory balance should be three hundred sixty-five (365) coupons, which leads to a variance of fifty-five (55) coupons.

**Cause**

This was an oversight on the part of the agencies.

**Effect**

The agency may not be in compliance with INTP Participant Agreement.

**Recommendation**

To ensure that tokens are fully accounted for at any point in time, we recommend that:

- Each agency keeps track of coupons distributed in first and second half of the year separately.
- Each agency enhances the accuracy of its inventory count to maintain an accurate number on its books and on its reports to FAC.

**View of Responsible Officials and Planned Corrective Action**

FAC makes every effort to ensure the accuracy of inventory count with its partnering agencies. Last fiscal year, FAC implemented a new process instructing agencies to perform a monthly inventory count when submitting the monthly logs to FAC. However, the current audit year reflects findings of variances and coupon shortages with the partnering agencies. The sample audit testing of inventory concluded that the Agency had a variance of 55 out of 710 tokens. FAC realizes the opportunity for discrepancies as the distribution process is handled manually, which can increase the possibility of human error.

**FAME Assistance Corporation  
Immediate Needs Transportation Program (INTP)  
Schedule of Findings and Recommendations  
Year ended June 30, 2017**

**Finding 2017-001 – Inventory (Continued)**

**View of Responsible Officials and Planned Corrective Action (Continued)**

As a corrective measure to the current audit finding, FAC will continue to implement the current monthly inventory form and add an additional process to include having the Manager at each distribution site sign-off with signature and date on the inventory count. Additionally, FAC staff will conduct random site visits at partnering agencies to perform an inventory check prior to the six-month reconciliation period. Lastly, LACMTA is moving to an electronic coupon loading method which will remove the human error factor of coupon inventory discrepancies.

**FAME Assistance Corporation  
Immediate Needs Transportation Program (INTP)  
Schedule of Findings and Recommendations  
Year ended June 30, 2017**

**Finding 2017-002 – Allocation of personnel costs**

**Criteria or Specific Requirement**

Federal Regulation CFR 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, Section 200.430 Compensation-personal services states:

- (i) *Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:*
- iv. *Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;*
  - v. *Be incorporated into the official records of the non-Federal entity;*
  - vi. *Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities;*
  - vii. *Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;*
  - viii. *Comply with the established accounting policies and practices of the non-Federal entity;*
  - ix. *[Reserved]*
  - x. *Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.*

**Condition**

During our review of the monthly invoices submitted to LACMTA, it was noted that FAC's personnel costs allocated to the program for the months of December 2016 and June 2017 were based on budget estimates for all six (6) employees instead of actual hours worked on the program. FAC did not track actual hours worked by program, thus the corresponding employees' timesheets did not support the actual hours charged to the program. FAC stated that no true-up procedure was performed. The total personnel costs billed to LACMTA in December 2016 and June 2017 were \$23,907 and \$16,030, respectively.

In addition, the entire personnel file of the former Executive Director and the payroll/status change notice effective for FY2016-17 of three (3) employees were unable to be located for our audit.

However, FAC is not required to return any money since their total allowable expenditures spent on the program exceeded the total contract amount in the current fiscal year.

**FAME Assistance Corporation  
Immediate Needs Transportation Program (INTP)  
Schedule of Findings and Recommendations  
Year ended June 30, 2017**

**Finding 2017-002 – Allocation of personnel costs (Continued)**

**Cause**

This was an oversight on the part of the previous management that was replaced in November 2017 and the current management was unable to provide sufficient and appropriate justification to the allocation plan.

**Effect**

Inadequate support for the personnel costs may result in disallowed cost.

**Recommendation**

We recommend that FAC implements policies and procedures to allocate personnel costs based on actual hours worked and make the necessary adjustment to the general ledger to correct the personnel costs for the current fiscal year to reflect actual hours worked.

**View of Responsible Officials and Planned Corrective Action**

The current management of FAC doesn't have the ability to provide with exact payroll basis used for allocation purposes for fiscal year 2016-2017. We tried our best and these are all we found. We agree to the missing personnel file for the former Executive Director. Her personnel file has never been accessible to anyone except her and the HR Director who is no longer with the company since November 2017. We will implement additional payroll documentation called "personnel's activity report" with their timesheet.

**FAME Assistance Corporation  
Immediate Needs Transportation Program (INTP)  
Schedule of Findings and Recommendations  
Year ended June 30, 2017**

**Finding 2017-003 – Allocation of shared costs**

**Criteria or Specific Requirement**

2 CFR Part 230 (Formerly OMB Circular A-122), Appendix A, Cost Principles for Non-Profit Organizations states:

*“Subparagraph A. Basic Considerations 4. Allocable costs. a. A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:*

- 1) Is incurred specifically for the award.*
- 2) Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received, or*
- 3) Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown”.*

Part C, Section 2.0 Allocable Expenses of the Auditor-Controller Contract Accounting and Administration Handbook states: *“The Contractor shall maintain documentation for allocated expenses (e.g. timecards, time summaries, square footage measurements, number of employees, etc.)”.*

**Condition**

During our review of the monthly invoices submitted to LACMTA, it was noted that FAC’s non-personnel costs allocated to the program for the months of December 2016 and June 2017 were based on the estimated personnel hours which is discussed in Finding No. 2017-002.

Additionally, per discussion with FAC, Shared Costs such as Garbage/Trash, Janitorial, Building Maintenance, and Insurance expenses are allocated based on actual square footage used by the program. However, based on the floor plan provided by FAC, the percentages used to allocate shared costs to LACMTA were inadequately supported. The total non-personnel costs billed to LACMTA in December 2016 and June 2017 were \$3,177 and \$3,461, respectively.

However, FAC is not required to return any money since their total allowable expenditures spent on the program exceeded the total contract amount in the current fiscal year.

**Cause**

This was an oversight on the part of the previous management that was replaced in November 2017 and the current management was unable to provide sufficient and appropriate justification to the allocation plan.

**FAME Assistance Corporation  
Immediate Needs Transportation Program (INTP)  
Schedule of Findings and Recommendations  
Year ended June 30, 2017**

**Finding 2017-003 – Allocation of shared costs (Continued)**

**Effect**

Inadequate support for the non-personnel costs may result in disallowed cost.

**Recommendation**

We recommend that FAC strengthen its internal control to ensure that shared costs are properly allocated in accordance to the Cost Allocation Plan. We also recommend that the Cost Allocation Plan be formally updated.

**View of Responsible Officials and Planned Corrective Action**

The current management of FAC doesn't have the ability to provide with exact payroll and square footage basis used for allocation purposes for fiscal year 2016-2017. We tried our best and these are all we found. We will prepare a written cost allocation plan.

**FAME Assistance Corporation  
Immediate Needs Transportation Program (INTP)  
Schedule of Prior Year Findings and Recommendations  
Year ended June 30, 2017**

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

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***EXIT CONFERENCE***

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**FAME Assistance Corporation  
Immediate Needs Transportation Program (INTP)  
Exit Conference  
Year ended June 30, 2017**

An exit conference was held on February 16, 2018 with the FAME Assistance Corporation, Inc.'s representatives. Those in attendance were:

**Simpson & Simpson CPAs representatives**

Tianyun Sun – Senior Auditor  
Lingzi He – Auditor

**FAC representatives:**

Susan Acorin – Accountant  
Azim Popatia – Staff Accountant  
Ronni Jackson – Director of Transportation Services

**Matters discussed:**

Results of the audit disclosed instances 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:

Susan Acorin – Accountant  
Azim Popatia – Staff Accountant