

FAME Assistance Corporation

**Report on the Rider Relief Transportation Program (RRTP)
by FAME Assistance Corporation under
its Memorandum of Understanding No. MOU. R2TPFAC2
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
Rider Relief Transportation Program (RRTP)
Table of Contents**

FINANCIAL SECTION	<u>PAGE</u>
Independent Auditor's Report	1
Basic Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6
Supplementary Information	
Schedule of Coupon Distribution to Agency Providers	8
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	10
COMPLIANCE SECTION	
Independent Auditor's Report on Compliance	12
Schedule of Findings and Recommendations	14
Schedule of Prior Year Findings and Recommendations	20
EXIT CONFERENCE	22

FINANCIAL SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BR. AINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonllp.com

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 financial statements of the **Rider Relief Transportation Program (RRTP) (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 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 the 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 RRTP 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 2, the financial statements present only the RRTP, 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 schedule of coupon distribution to agency providers (Schedule) is 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 black ink that reads "Simpson & Simpson".

February 16, 2018
Los Angeles, California

**FAME Assistance Corporation
Rider Relief Transportation Program (RRTP)
Statements of Financial Position**

		June 30	
		2017	2016
ASSETS			
Due from LACMTA	\$	17,229	\$ 20,344
Total assets	\$	17,229	\$ 20,344
 LIABILITIES AND NET ASSETS			
Liabilities			
Due to FAC (Note 4)	\$	17,229	\$ 20,344
Total liabilities		17,229	20,344
Net Assets			
Total liabilities and net assets	\$	17,229	\$ 20,344

The accompanying notes are an integral part of the financial statements

FAME Assistance Corporation
Rider Relief Transportation Program (RRTP)
Statements of Activities

	Years Ended June 30	
	2017	2016
REVENUES		
Grant revenue	\$ 300,000	\$ 300,000
Contribution from FAC	74,365	14,485
Total revenues	374,365	314,485
EXPENDITURES		
Program expenses		
Printing	48,612	4,453
Total program expenses	48,612	4,453
Administrative expenses		
Salaries and wages	209,644	195,450
Employee benefits	32,706	28,936
Allocated indirect costs	19,187	16,343
Facility cost	16,742	16,595
Payroll taxes	17,710	16,245
Consultants and purchased services	20,567	23,839
Printing and postage	6,466	7,476
Supplies	447	988
Insurance	655	1,455
Purchased/leased equipment	451	1,166
Travel, conference and dues	799	1,102
Security	19	36
Office expense	82	211
Repairs and maintenance	278	190
Total administrative expenses	325,753	310,032
Total expenses	374,365	314,485
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
Rider Relief Transportation Program (RRTP)
Statements Cash Flows**

	Years Ended June 30	
	2017	2016
Cash from operating activities		
Change in net assets	\$ -	\$ -
Adjustment to reconcile change in net asset to net cash provided by operating activities: change in operating assets and liabilities		
Due from LACMTA	3,115	61,402
Net cash provided by operating activities	3,115	61,402
Cash from financing activities		
Due to FAC	(3,115)	(61,402)
Net cash used in financing activities	(3,115)	(61,402)
Change in cash	-	-
Cash		
Beginning of year	-	-
End of year	\$ -	\$ -

The accompanying notes are an integral part of the financial statements

FAME Assistance Corporation
Rider Relief Transportation Program (RRTP)
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

NOTE 1 – BACKGROUND

The Rider Relief Transportation Program (RRTP) was created in 2007 upon a cooperative partnership among the FAME Assistance Corporation (FAC) and Human Services Association (HSA). The purpose of the RRTP program is to provide fare subsidy coupons to eligible LACMTA range of non-profit and government agencies that distribute subsidy coupons to the neediest segment of the population. The Los Angeles County Metropolitan Transportation Authority (LACMTA) provides funding for this program under separate MOUs with FAC and HSA.

RRTP offers the following transportation subsidy coupons to qualified participants Regular Riders, Senior Citizens, Kindergarten and College-vocational students.

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 RRTP, 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 RRTP. Monthly, FAC sends an invoice to LACMTA to seek reimbursement for expenses paid by FAC for operating the RRTP. At June 30, 2017 and 2016, the amounts due to FAC were \$17,229 and \$20,344, respectively.

The accompanying notes are an integral part of the financial statements

FAME Assistance Corporation
Rider Relief Transportation Program (RRTP)
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

NOTE 5 – ALLOCATION FOR THE YEAR

Per the Amendment No. 2 to Memorandum of Understanding dated July 1, 2016, for Fiscal Year 2016-2017, LACMTA will reimburse FAC in an amount not to exceed three million dollars (\$3,000,000) for transportation and administrative costs. LACMTA will reimburse FAC in administrative costs not to exceed \$300,000 and transportation fare media of not-to-exceed \$2,700,000. Any expenditures exceeding the total contract amount for any fiscal year shall be the sole responsibility of FAC.

The transportation fare media is in the form of transportation subsidy coupons which are presented as supplemental information and are not recorded in the statements of activities because the actual value of redeemed subsidy coupons cannot be determined by FAC.

Expenses presented in the statements of activities represent reimbursements received from LACMTA of costs incurred by FAC on the RRTP.

NOTE 6 – RRTP COMPLIANCE REQUIREMENTS

The RRTP is governed by the provisions of the Memorandum of Understanding between LACMTA and FAC, and the RRTP Operating Guidelines (collectively, 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 – 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.

The accompanying notes are an integral part of the financial statements

**FAME Assistance Corporation
Rider Relief Transportation Program (RRTP)
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016**

Provider	Total Value Distributed
Anahuacalmecac International University Prep (AIUP)	\$ 2,640
Angelus Plaza	184,800
Bancroft Middle School	9,960
Being Alive	6,600
CALIF Communities Actively Living Independent	25,200
Central City Neighborhood Partners	40,260
Child and Family Guidance Center	9,000
Children's Institute- all sites	35,400
Chinatown Senior Citizen Service Center	10,800
CHIRP/LA	2,940
Cienega Elementary School	7,740
Downtown Women's Center	63,360
Downtown/ Pico-Union WorkSource	47,100
Eagle Rock Lutheran Church	13,200
El Centro Del Pueblo	61,020
El Nido	39,600
Exodus	24,180
FASGI- Park View Site	381,600
GEM Academy fka John Muir Charter School	4,020
Good Seed Shelter	3,420
Good Shepherd Center	5,520
Healthy Start 99th Street Elementary/ Figueroa Elementary	12,540
Healthy Start- Jordan High School	4,140
Healthy Start Le Conte/Queen Anne Elementary School	19,500
Healthy Start Los Angeles High School/John Burroughs Middle School	22,560
Healthy Start- Marvin and Shenandoah	2,760
Healthy Start North East Cluster	26,100
Homeless Healthcare Los Angeles	13,620
Housing Authority City of Los Angeles- Union Towers	4,860
Korean American Volunteer Corps.	148,800
Latino Resource Organization-Venice	5,520
LIFT Communities	2,940
Los Angeles Child Guidance Clinic	40,260
Los Angeles Conservation Corp.	14,100
Los Angeles Education Corps.	5,880
LRO West LA Family Source	5,940
LSS Community Care Centers/ Canoga Park	75,600

The accompanying notes are an integral part of the financial statements

**FAME Assistance Corporation
Rider Relief Transportation Program (RRTP)
Supplementary Information
Schedule of Coupon Distribution to Agency Providers
For the Fiscal Year Ended June 30, 2017**

Provider	Total Value Distributed
<i>(Continued)</i>	
Mental Health America- Antelope Valley	\$ 10,200
Metro North WorkSource Center	108,000
New Economics for Women -FDN	146,400
Ninth Street School	17,820
PATH- Ventures	9,540
PF Bresee Foundation	98,400
Plasencia Elementary School	47,040
Poly High School	21,840
Sal Castro Middle School	34,800
SAVES- City of Palmdale	34,200
Santa Clarita WorkSource	12,000
Service Employees International Union Local 99	37,500
St. Francis Center	18,960
St. Joseph Center	35,400
St. Vincent De Paul	20,520
Stein Health Foundation	6,600
Step Up on Second	10,800
Vermont Village CDC	23,100
Vernon-Central/ LATTC WorkSource	29,760
Very Human (Founders Metropolitan Church)	7,800
Volunteers of America- T2W2	7,080
West Angeles Community Development Corp.	39,000
WLCAC	45,600
Youth Justice Coalition	11,040
Youth Policy Institute LA	82,800
TOTAL	\$ 2,299,680

See accompanying independent auditor's report



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonllp.com

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

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's Relief Transportation Program (RRTP) (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 cursive script that reads "Simpson & Simpson".

Los Angeles, California
February 16, 2018

COMPLIANCE SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonllp.com

Independent Auditor's Report on Compliance

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

We have audited the compliance of the **FAME Assistance Corporation (FAC)** with the Memorandum of Understanding No. MOU. R2TPFAC2 and the Rider Relief Transportation Program (RRTP) 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 RRTP 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 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.



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 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 & Simpson".

Los Angeles, CA
February 16, 2018

**FAME Assistance Corporation
Rider Relief Transportation Program (RRTP)
Schedule of Findings and Recommendations
Year ended June 30, 2017**

Finding 2017-001 – Inventory

Criteria or Specific Requirement

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

Condition

FAC distributes four types of coupons to its agencies in June and December every year. FAC itself distributes coupons to individual participants as well.

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

- During our physical count of coupons at Korean American Volunteer Corporation on February 15, 2018, we counted four hundred twenty-seven (427) coupons on hand. According to our calculation using its monthly reports and user logs, the inventory balance should be four hundred thirty-six (436) coupons, which leads to a shortage of nine (9) coupons.
- During our physical count of coupons at Angelus Plaza on February 9, 2018, we counted four hundred twenty-five (425) coupons on hand. According to our calculation using its monthly reports and user logs, the inventory balance should be four hundred nine (409) coupons, which leads to a variance of sixteen (16) coupons.
- During our physical count of coupons at PF Bresee Foundation on February 14, 2018, we counted sixty-six (66) coupons on hand. According to our calculation using its monthly reports and user logs, the inventory balance should be fifty-six (56) coupons, which leads to a variance of ten (10) coupons.

Cause

This was an oversight on the part of the agencies.

Effect

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

**FAME Assistance Corporation
Rider Relief Transportation Program (RRTP)
Schedule of Findings and Recommendations
Year ended June 30, 2017**

Finding 2017-001 – Inventory (Continued)

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 Agency (1) had a shortage of 9 out of 1,550 coupons; Agency (2) had a variance of 16 out of 1,325 coupons; and Agency (3) had a variance of 10 out of 1,050 coupons. FAC realizes the opportunity for discrepancies as the distribution process is handled manually, which can increase the possibility of human error.

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
Rider Relief Transportation Program (RRTP)
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;*
 - 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 \$19,826 and \$11,233, 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.

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
Rider Relief Transportation Program (RRTP)
Schedule of Findings and Recommendations
Year ended June 30, 2017**

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

Effect

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

Recommendation

We recommend that FAC should implement 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 don'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 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
Rider Relief Transportation Program (RRTP)
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. Total non-personnel costs allocated to December 2016 and June 2017 were \$5,174 and \$5,996.

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
Rider Relief Transportation Program (RRTP)
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 would 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 you 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
Rider Relief Transportation Program (RRTP)
Schedule of Prior Year Findings and Recommendations
Year ended June 30, 2017**

Finding 2016-001 – Inventory

Criteria or Specific Requirement

Under the RRTP Program Participation Agreement, grantees will take full responsibility and liability for the security of FAC subsidy coupons and LACMTA tokens. Participant agrees to keep all subsidy coupons 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

FAC distributes three types of coupons to its agencies in June and December every year. FAC itself distributes coupons to individual participants as well.

During our site visit, we observed the following:

- During our physical count of coupons at YNOT Foundation on February 6, 2017, we counted 144 coupons on hand. According to our calculation using its monthly reports and user logs, the inventory balance should be 145 coupons, which leads to a shortage of 1 coupon.
- During our physical count of coupons at Angelus Plaza on February 7, 2017, we counted 776 coupons on hand. According to our calculation using its monthly reports and user logs, the inventory balance should be 870 coupons, which leads to a shortage of 94 coupons.
- During our physical count of coupons at St. Agatha Catholic Church on February 7, 2017, we counted 474 coupons on hand. According to our calculation using its monthly reports and user logs, the inventory balance should be 478 coupons, which leads to a shortage of 4 coupons.
- During our physical count of coupons at FASGI Community Wellness Center on February 7, 2017, we counted 2,845 coupons on hand. According to our calculation using its monthly reports and user logs, the inventory balance should be 3,030 coupons, which leads to a shortage of 185 coupons.

Effect

The agency did not comply with RRTP Program 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.

**FAME Assistance Corporation
Rider Relief Transportation Program (RRTP)
Schedule of Prior Year Findings and Recommendations
Year ended June 30, 2017**

Finding 2016-001 – Inventory (Continued)

View of Responsible Officials and Planned Corrective Action

We agree with the audit finding. As a corrective measure, FAC will immediately implement a new policy and procedure that will require agencies to submit an additional monthly report detailing the quantity of coupons received and distributed for the six-month coupon cycle. Each month the agency will be responsible for reconciling the quantity of coupons against the physical count to avoid any discrepancies moving forward.

Status

Not implemented.

EXIT CONFERENCE

**FAME Assistance Corporation
Rider Relief Transportation Program (RRTP)
Exit Conference
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 – Staff Auditor

FAC representatives:

Azim Popatia – Staff Accountant
Susan Acorin – 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:

Azim Popatia – Staff Accountant
Susan Acorin – Accountant