FAME Assistance Corporation

Report on the Low Income Fare is Easy (LIFE) Program
by FAME Assistance Corporation under
its Memorandum of Understanding No. MOULIFEFAC2000
and its Contract No. PS60564000A
with the Los Angeles County Metropolitan Transportation Authority

As of and for the Years Ended June 30, 2020 and 2019
with Independent Auditor's Report

Simpson & Simpson, LLP
Certified Public Accountants

FAME Assistance Corporation
Low Income Fare is Easy (LIFE) Program
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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 **Low Income Fare is Easy (LIFE) Program (the Program) prepared by FAME Assistance Corporation (FAC)**, a not-for-profit organization, funded by the Los Angeles County Metropolitan Transportation Authority (LACMTA), which comprise of the statement of financial position as of June 30, 2020 and 2019, 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 on the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the organization'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 organization'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 the Low Income Fare is Easy (LIFE) Program prepared by FAME Assistance Corporation, Inc. as of June 30, 2020 and 2019, 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 Low Income Fare is Easy (LIFE) Program, and do not purport to, and do not, present fairly FAC's financial position as of June 30, 2020 and 2019, 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 taxi companies with payment data and the schedule of outstanding payables to taxi companies (Schedules) 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 11, 2021 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.

Simpson & Simpson

February 11, 2021
Los Angeles, California

FAME Assistance Corporation
Low Income Fare is Easy (LIFE) Program
Statements of Financial Position

	June 30			
		2020		2019
ASSETS				
Due from LACMTA	$	116,780	$	146,830
Due from FAC		-		15,806
Total assets	$	116,780	$	162,636
LIABILITIES AND NET ASSETS				
Liabilities				
Due to FAC (Note 4)	$	69,001	$	71,916
Accounts payable		47,779		90,720
Total liabilities		116,780		162,636
Net Assets		-		-
Total liabilities and net assets	$	116,780	$	162,636

The accompanying notes are an integral part of the financial statements

FAME Assistance Corporation
Low Income Fare is Easy (LIFE) Program
Statements of Activities

	Years Ended June 30	
	2020	2019
REVENUES		
Grant revenue	$ 925,347	$ 1,940,669
Contribution from FAC	9,819	25,409
Total revenues	935,166	1,966,078
EXPENSES		
Program expenses		
Tokens	-	782,250
Taxi Vouchers	240,030	533,911
4-Regional Ride Trip Ticket	70,000	-
Printing	17,913	47,824
Total program expenses	327,943	1,363,985
Administrative expenses		
Salaries and wages	358,222	368,388
Employee benefits	56,218	68,570
Allocated general and administrative costs	29,500	26,472
Facility cost	43,859	34,973
Payroll taxes	29,177	31,170
Consultants and purchased services	64,851	28,971
Printing and postage	3,091	20,124
Telephone	14,767	16,456
Supplies	3,744	2,018
Insurance	867	1,190
Purchased/leased equipment	424	1,107
Travel, conference and dues	926	1,829
Security	34	46
Office expense	762	688
Repairs and maintenance	781	91
Total administrative expenses	607,223	602,093
Total expenses	935,166	1,966,078
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
Low Income Fare is Easy (LIFE) Program
Statements of Cash Flows

	Years Ended June 30	
	2020	2019
Cash from operating activities		
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	30,050	(35,608)
Accounts payable	(42,941)	60,173
Net cash (used in) provided by operating activities	(12,891)	24,565
Cash from financing activities		
Due from FAC	15,806	(15,806)
Due to FAC	(2,915)	(8,759)
Net cash provided (used in) by financing activities	12,891	(24,565)
Change in cash	-	-
Cash		
Beginning of year	-	-
End of year	$ -	$ -

The accompanying notes are an integral part of the financial statements

NOTE 1 – BACKGROUND

The Low Income Fare is Easy (LIFE) Program was approved by LACMTA's Board of Directors in May 2017 to provide transportation assistance to low-income and transit dependent riders of Los Angeles County. LIFE is the integration of the Rider Relief Transportation Program (RRTP) and the Immediate Needs Transportation Program (INTP). LACMTA oversees two agencies, FAME Assistance Corporation (FAC) and the International Institute of Los Angeles (IILA) to administer the LIFE Program.

FAME and IILA makes the service available throughout the Los Angeles County through a wide range of not-for-profit and government agencies in the LIFE network that distribute LIFE transportation subsidies, to their respective clients who meet certain eligibility requirements.

LIFE transportation subsidies are in the form of a discount towards purchase of a pass and 20 regional rides that are loaded to the participant's TAP card, 4-Ride paper, taxi coupons and variable value vouchers (VVVs).

Reclassifications

Certain reclassifications have been made to fiscal year 2019 amounts in order to conform to the fiscal year 2020 presentation. Such reclassifications had no effect on the previously reported change in net assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

FAC's 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 Low Income Fare is Easy (LIFE) program, and do not purport to, and do not present fairly FAC's financial position as of June 30, 2020 and 2019, and the changes in its financial position and cash flows for the years then ended, in conformity 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 LIFE program. Monthly, FAC sends an invoice to LACMTA to seek reimbursement for expenses paid by FAC for operating the LIFE program. At June 30, 2020 and 2019, the amounts due to FAC were $69,001 and $71,916, respectively.

NOTE 5 – ALLOCATION FOR THE YEAR

Per the Memorandum of Understanding (MOULIFEFAC2000) dated July 1, 2019, for the period July 1, 2019 to December 31, 2019 of Fiscal Year 2019-2020, LACMTA will reimburse FAC in an amount not to exceed eight hundred sixty-two thousand dollars ($862,500) for all costs incurred in the performance of the LIFE program. FAC shall allocate $250,000 for the 4-Ride Tickets, and $300,000 for Taxi coupons and Variable Value Vouchers and $312,500 on administrative cost. Any expenses exceeding the total contract amount for the period July 1, 2019 to December 31, 2019 shall be the sole responsibility of FAC.

Per the Contract (PS60564000A) effective January 1, 2020, for the period January 1, 2020 to June 30, 2020 of Fiscal Year 2019-2020, LACMTA will reimburse FAC in an amount not to exceed three hundred twenty-five thousand nine hundred seventy-two dollars ($325,972) for administrative costs in the performance of services in accordance with the contract. In addition, LACMTA will reimburse FAC for the cost of printing vouchers and appropriate/eligible payments that FAC makes to taxi companies as part of the Taxi Subsidy Program.

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

NOTE 6 – LIFE COMPLIANCE REQUIREMENTS

LIFE is governed by the provisions of the MOU and Contract between LACMTA and FAC, and the LIFE Operating Guidelines (collectively, the Guidelines). The Guidelines require, among other requirements, that transportation subsidies be distributed to Los Angeles County residents living below the poverty level and who will use the subsidy for trips pertaining to job searches, 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 – RISKS AND UNCERTAINTIES

FAC filed Chapter 11 bankruptcy in United States Bankruptcy Court on July 31, 2019 with the expectation of reorganizing. Management is currently evaluating the events and conditions, along with drafting a management plan regarding this matter.

NOTE 9 – SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. To date, it is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations, including local governmental entities.

FAC has evaluated events through February 11, 2021, 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
Low Income Fare is Easy (LIFE) Program
Supplementary Information
Schedule of Taxi Companies with Payment Data
For the Fiscal Year Ended June 30, 2020

Taxi Company		Taxi Coupons		Variable Value Vouchers		Total
Administrative Services Co-op.	$	138,630	$	22,576	$	161,206
Bell Cab Company Inc.		72		38,830		38,902
Beverly Hills		493		440		933
Blue & Yellow Taxi		-		132		132
G&S Transit		296		120		416
Gorgee Entp. Inc.		60		66		126
Green Valley Cab Inc.		5,706		1,371		7,077
Independent Taxi Owner's Assoc.		8,487		2,023		10,510
JR Taxi		398		1,689		2,087
LA City Cab		5		11		16
Tri-city Transp. Sun Valley		108		121		229
United Independent Taxi		16,377		1,300		17,677
Yellow Star Cab Co.		444		275		719
Total	**$**	**171,076**	**$**	**68,954**	**$**	**240,030**

The accompanying notes are an integral part of the financial statements

FAME Assistance Corporation
Low Income Fare is Easy (LIFE) Program
Supplementary Information
Schedule of Outstanding Payables to Taxi Companies
For the Fiscal Year Ended June 30, 2020

Taxi Company		0-30 Days		Total
Administrative Services Co-op.	$	16,192	$	16,192
Bell Cab Company Inc.		2,862		2,862
Green Valley Cab Inc.		1,019		1,019
Independent Taxi Owner's Assoc.		936		936
United Independent Taxi		2,908		2,908
Yellow Star Cab Co.		437		437
Total	**$**	**24,354**	**$**	**24,354**

The accompanying notes are an integral part of the financial statements

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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

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 **Low Income Fare is Easy (LIFE) Program (the Program) prepared by FAME Assistance Corporation, Inc. (FAC),** a not-for-profit organization, funded by the Los Angeles County Metropolitan Transportation Authority (LACMTA), which comprise of the statement of financial position as of June 30, 2020, 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 11, 2021.

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 organization'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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Simpson & Simpson

Los Angeles, California
February 11, 2021

COMPLIANCE SECTION

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Independent Auditor's Report on Compliance

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

Report on Compliance

We have audited the compliance of **FAME Assistance Corporation (FAC)** with the Memorandum of Understanding No. MOULIFEFAC2000, Contract No. PS60564000A and the Low Income Fare is Easy (LIFE) Operating Guidelines (collectively, the Guidelines) for the year ended June 30, 2020.

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 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 referred to in the preceding paragraph. 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 LIFE 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, 2020.

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 in the accompanying Schedule of Findings and Recommendations as Finding Nos. 2020-001, 2020-002, 2020-003, and 2020-004. Our opinion is not modified with respect to these matters.

FAC's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Recommendations. FAC's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of FAC is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered FAC's internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of FAC's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance under the Guidelines will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We did identify deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Recommendation as Finding Nos. 2020-001, 2020-003 and 2020-004, that we consider to be significant deficiencies.

FAC's responses to the internal control over compliance 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.

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.

Simpson & Simpson

Los Angeles, CA
February 11, 2021

Finding 2020-001 – Missing information on LIFE Taxi Coupons/ Variable Value Vouchers (VVVs)

Criteria or Specific Requirement

Under the Low Income Fare is Easy (LIFE) Operating Guidelines, section entitled Procedures for Distributing Transportation Subsidies, Agency Procedures states:

"Each agency must ensure that the "agency name," name of patron", "signature of patron", trip purpose code, and estimated trip cost are visible on the log."

Additionally, the LIFE FY2020 Operating Guidelines, section entitled Procedures for Participating Taxi Companies, Driver Procedures states:

- *"The driver verifies the signature. Drivers are not to accept VVVs from patrons whose second signature does not match the original.*
- *The driver is to complete each taxi VVV with all necessary information:*
    - *a) Date of trip*
    - *b) Begin Odometer*
    - *c) End Odometer*
    - *d) Total Miles*
    - *e) Trip Started at Address/City (origin)*
    - *f) To Address/City (destination)*
    - *g) Taxi company*
    - *h) Driver number*
    - *i) Taxi number*
    - *j) Number of patrons on the trip*
    - *k) Meter (amount on smart meter)"*

Condition

During our review of the monthly invoices from taxicab companies submitted to FAC, it was noted that ten (10) out of four hundred seventy-six (476) taxi coupons and Variable Value Vouchers (VVVs) submitted for reimbursement on the October 2019 and June 2020 invoices were missing various information as shown in the table below:

FAME Assistance Corporation
Low Income Fare is Easy (LIFE) Program
Schedule of Findings and Recommendations
Year ended June 30, 2020
(Continued)

Finding 2020-001 – Missing information on LIFE Taxi Coupons/ Variable Value Vouchers (VVVs) (Continued)

Condition (Continued)

Invoice Month	Taxicab Company	Coupon/ VVV #	Missing Information	Amount
Oct 2019	United Independent Taxi	F318055	Agency Name	$ 19.80
Oct 2019	Admin. Services Co. Inc.	F319300	Verification Signature	37.00
Oct 2019	Admin. Services Co. Inc.	F319307	End Odometer	21.00
Oct 2019	Admin. Services Co. Inc.	F319317	Verification Signature	10.35
Oct 2019	Admin. Services Co. Inc.	F319318	Agency Name	40.95
Oct 2019	Admin. Services Co. Inc.	F319321	Begin/End Odometer	14.25
Oct 2019	Admin. Services Co. Inc.	F319857	Verification Signature	80.00
Oct 2019	Bell Cab Company, Inc.	F2597535	Agency Name	11.00
June 2020	Admin. Services Co. Inc.	F333572	Taxi Company	13.65
June 2020	Admin. Services Co. Inc.	F334031	Name of Patron	22.65
			Total	$ 270.65

However, repayment of the non-reimbursable coupons/VVVs is not required as FAC incurred total costs of $935,166, which exceeded the total reimbursed amount of $925,347 even after subtracting the non-reimbursable coupons/VVVs of $270.65.

This is a repeat finding from the prior fiscal year.

Cause

FAC did not thoroughly review the invoices received from taxicab companies due to oversight.

Effect

The agency is not in compliance with LIFE Operating Guidelines.

Recommendation

We recommend that FAC strengthen its controls to ensure that amounts invoiced to LACMTA are supported by accurate and complete information. We also recommend that FAC send a reminder to the agencies and taxicab companies to enforce strict implementation of the requirements set forth in the LIFE Operating Guidelines.

View of Responsible Officials and Planned Corrective Action

FAC will take the recommendation of the auditors and strengthen our controls to ensure that the amounts invoiced to LACMTA are verified for accuracy. Additionally, a memo will be drafted by March 1st and sent to the agencies and taxicab companies to enforce strict implementation of the requirements set forth by the LIFE Operating Guidelines.

Finding 2020-001 – Missing information on LIFE Taxi Coupons/ Variable Value Vouchers (VVVs) (Continued)

View of Responsible Officials and Planned Corrective Action (Continued)

In the future FAC will not accept and process payment for any coupons and/or vouchers that do not meet requirements of the guidelines.

Finding 2020-002 – VVVs were not invoiced within thirty (30) days

Criteria or Specific Requirement

According to the Low Income Fare is Easy (LIFE) FY2020 Operating Guidelines, section entitled Procedures for Participating Taxi Companies, Billing Cycle:

"*Taxi coupons/VVVs not invoiced within thirty (30) days of the taxi coupons/VVV's expiration date will not be reimbursed.*"

Condition

During our review of the monthly invoices from taxicab companies submitted to FAC, one (1) out of six (6) sampled taxi companies' invoices included two (2) late VVVs. Specially, Administrative Service Corporation, Inc.'s May 2020 invoice sought the reimbursement for one hundred twenty-six (126) VVVs, of which two (2) VVVs were dated on March 8, 2020.

Invoice Month	VVV #	Date of the Patron Trip	VVV Expiration Date	Amount
May 2020	F329936	March 8, 2020	March 31, 2020	$ 15.75
May 2020	F329937	March 8, 2020	March 31, 2020	15.15
			Total	$ 30.90

However, repayment of the untimely invoiced VVVs is not required as FAC incurred total costs of $935,166, which exceeded the total reimbursed amount of $925,347 even after subtracting the untimely invoiced VVVs of $30.90 and the non-reimbursable coupons/VVVs of $270.65 from Finding #2020-001.

Cause

COVID-19 adversely affected the regular work schedule of certain taxicab companies and cab drivers. Lower demand for taxi services along with social distancing guidelines impacted their regular workflow, which caused a delay in the processing and submission of the coupons/vouchers.

Effect

The agency is not in compliance with LIFE FY2020 Operating Guidelines.

Finding 2020-002 – VVVs were not invoiced within thirty (30) days (Continued)

Recommendation

We recommend that FAC strengthen its internal controls to ensures that late taxi coupons/VVVs are not accepted. Additionally, we recommend that FAC document the reasons for the acceptance and/or rejection of late taxi coupons/VVVs.

View of Responsible Officials and Planned Corrective Action

FAC agrees to maintain documentation for vouchers and/or coupons submitted outside the 30-day reimbursement window solely for situations approved and documented by LACMTA program management. All other coupons and/or vouchers will be rejected and will not be accepted for payment.

Finding 2020-003 – Unsupported allocation of personnel costs

Criteria or Specific Requirement

According to Contract #PS60564000A, under section Special Provisions SP-12 entitled Allowability, Allocability & Reasonableness Definitions, subsection E states:

"Costs are allocated to final cost objectives. The allocability of cost is determined using FAR Subpart 31.201.4. Specifically, indirect expenses shall be allocated on the basis of the beneficial or causal relationship between supporting (indirect expense) and receiving activities (final cost objective). Such expenses shall be distributed directly to business units/segments and/or final cost objectives to the maximum extent possible."

Additionally, according to Federal Acquisition Regulation (FAR) Subpart 31.201.4 entitled Determining Allocability states:

"A cost is allocable if it is assignable or chargeable to one or more cost objectives on the basis of relative benefits received or other equitable relationship. Subject to the foregoing, a cost is allocable to a Government contract if it-

- *(a) Is incurred specifically for the contract;*
- *(b) Benefits both the contract and other work, and can be distributed to them in reasonable proportion to the benefits received; or*
- *(c) Is necessary to the overall operation of the business, although a direct relationship to any particular cost objective cannot be shown."*

Finding 2020-003 – Unsupported allocation of personnel costs (Continued)

Criteria or Specific Requirement (continued)

According to Contract #PS60564000A, under section General Conditions GC-44 entitled Audit Requirements, subsection B. Defined Terms states:

"Records: All of the Contractor's, Subcontractors' or Suppliers' Cost or pricing data supporting the Contract, Task Order, Modification or element of any of the foregoing, including, but not limited to, books, data, Records, documents, reports, computations and projections, accounting procedures and practices and other evidence, in all forms (e.g. paper or machine readable media such as disk, tape, etc.) or types (e.g., databases, applications software, database management software, utilities, etc.), sufficient to properly reflect the performance of the Services and all Costs claimed to have been incurred or anticipated to be incurred in performing the Services on a proposed Modification."

Condition

During our review of the payroll related costs invoiced to LACMTA, the following issues related to the inaccurate allocation of personnel costs were noted:

1. One (1) out of eleven (11) sampled employee's (Human Resource Director) payrate was not maintained. Additionally, it was noted that the Human Resource Director's timecards only indicated the hours worked on the LIFE Program and did not include the total hours worked on all other projects/programs for both pay periods in the month of October 2019. As a result, Simpson and Simpson, LLP (S&S) was unable to recalculate the amount that should be allocated and billed to the program as shown in the table below.

Position	PPE	Amount Billed
Human Resource Director	10/15/2019	$ 488
Human Resource Director	10/31/2019	488
	Total	$ 976

The total unsupported payroll expense allocated and billed to the program was $976.

2. Eight (8) out of eleven (11) sampled employees' payroll expenses allocated and billed to the program were not supported by timecards in the months of October 2019 and June 2020. FAC represented that allocation for these payroll expenses were based on budgeted percentages that would not be "trued up" to actuals at year end. As such, the payroll allocations were not based on actual hours worked or an appropriately supported cost basis for the respective employees, but were based on budget as shown in the table below.

FAME Assistance Corporation
Low Income Fare is Easy (LIFE) Program
Schedule of Findings and Recommendations
Year ended June 30, 2020
(Continued)

Finding 2020-003 – Unsupported allocation of personnel costs (Continued)

Condition (continued)

Pay period	Position	Per Invoice	Per Timecards	Over (Under) Allocated
Oct-19	Senior Accountant	$ 273	$ 300	$ (27)
Oct-19	Staff Support	390	384	6
Oct-19	LIFE Program Manager	3,700	4,783	(1,083)
Oct-19	LIFE Staff Support (1)	2,479	1,722	757
Oct-19	Transportation Department Director	6,004	6,160	(156)
Oct-19	Transportation Department Assistant	2,326	2,331	(5)
Oct-19	LIFE Staff Support (2)	2,817	2,782	35
	Subtotal	17,989	18,462	(473)
Jun-20	LIFE Staff Support (1)	2,479	597	1,882
Jun-20	Transportation Department Director	6,045	6,329	(284)
Jun-20	LIFE Staff Support (2)	791	810	(19)
Jun-20	LIFE Staff Support/Accounting	992	695	297
	Subtotal	10,307	8,431	1,876
	Total	$ 28,296	$ 26,893	$ 1,403

As a result, payroll expense allocations to the program were unsupported in the sampled months, causing a total overbilling in the amount of $1,403.

However, repayment of the unsupported allocations of personnel costs is not required as FAC incurred total costs of $935,166, which exceeded the total reimbursed amount of $925,347 even after subtracting the unsupported personnel cost allocations of $2,379 ($976+$1,403), the untimely invoiced VVVs of $30.90 from Finding #2020-002 and the non-reimbursable coupons/VVVs of $270.65 from Finding #2020-001.

This is a repeat finding from the prior fiscal year.

Cause

FAC represented that the issues were due to oversight and that they were working on maintaining authorized payrates and changing their methodology for the allocation of all personnel costs.

Effect

Inadequate support for personnel costs may result in disallowed cost.

Finding 2020-003 – Unsupported allocation of personnel costs (Continued)

Recommendation

We recommend that FAC strengthen its controls to ensure that all personnel costs charged to the program are supported by authorized payrates, direct program hours, or an appropriately supported allocation basis.

View of Responsible Officials and Planned Corrective Action

FAC will take the auditor's recommendation of strengthening our billing process to ensure that all program expenditures are billed at actual cost/actual hours. To avoid manual error, FAC will invest in and utilize a feature of the ADP time tracking system to accurately document hours paid. Effective February 1, 2021, FAC will be moving the salaries of supportive services under the indirect cost line item. For the Human Resource Director unsupported payroll expense, we will demand timely submission of timesheets and the Program Director will sign off on the timesheet.

Finding 2020-004 – Unsupported allocation of shared costs

Criteria or Specific Requirement

According to Contract #PS60564000A, under section Special Provisions SP-12 entitled Allowability, Allocability & Reasonableness Definitions, subsection E states:

"Costs are allocated to final cost objectives. The allocability of cost is determined using FAR Subpart 31.201.4. Specifically, indirect expenses shall be allocated on the basis of the beneficial or causal relationship between supporting (indirect expense) and receiving activities (final cost objective). Such expenses shall be distributed directly to business units/segments and/or final cost objectives to the maximum extent possible."

Additionally, according to Federal Acquisition Regulation (FAR) Subpart 31.201.4 entitled Determining Allocability states:

"A cost is allocable if it is assignable or chargeable to one or more cost objectives on the basis of relative benefits received or other equitable relationship. Subject to the foregoing, a cost is allocable to a Government contract if it-

- *(a) Is incurred specifically for the contract;*
- *(b) Benefits both the contract and other work, and can be distributed to them in reasonable proportion to the benefits received; or*
- *(c) Is necessary to the overall operation of the business, although a direct relationship to any particular cost objective cannot be shown."*

Finding 2020-004 – Unsupported allocation of shared costs (Continued)

Condition

During our review of non-personnel costs, it was noted that certain shared costs were allocated and billed to LACMTA using the cost basis of budgeted personnel hours in October 2019 and June 2020 as noted in Finding #2020-003. Specifically, S&S noted that FAC's cost allocation plan states that shared costs are to be allocated using the cost basis of actual hours worked on the program. However, upon review of FAC's allocation worksheet, it was noted that the costs of consultants, outside services, payroll service, information technology, telephone expenses, website maintenance and office supplies invoiced in the months of October 2019 and June 2020 were allocated and billed based on budgeted percentages of personnel hours.

S&S recalculated the payroll allocation percentages based on the provided timecards to determine the overbilling. As a result, the total unsupported non-payroll costs billed to LACMTA in the two (2) sampled months were $243.92 as shown in the table below.

			Allocation %		
Invoice Month	**Invoiced Line Item**	**Total Cost**	**Invoiced to LACMTA**	**S&S Recal**	**Over (Under) Billed Amount**
Jun-20	Consultants	$ 500.00	37.31%	35.05%	$ 11.30
Oct-19	Outside Services	100.00	45.13%	44.14%	0.99
Oct-19	Payroll Service	2,477.89	45.13%	44.15%	24.28
Jun-20	Payroll Service	720.45	37.31%	35.05%	16.28
Oct-19	Information Technology	2,514.00	45.13%	41.79%	83.97
Jun-20	Information Technology	2,514.00	37.31%	37.42%	(2.77)
Oct-19	Telephone	3,197.00	45.13%	41.79%	106.78
Jun-20	Telephone	226.38	35.47%	35.05%	0.95
Oct-19	Website Maintenance	244.97	45.13%	44.14%	2.43
Jun-20	Office Supplies	262.44	37.31%	37.42%	(0.29)
				Total	$ 243.92

However, repayment of the unsupported allocation of shared costs is not required as FAC incurred total costs of $935,166, which exceeded the total reimbursed amount of $925,347 even after subtracting the unsupported allocation of shared costs of $243.92, the unsupported personnel cost allocations of $2,379 from Finding #2020-003, the untimely invoiced VVVs of $30.90 from Finding #2020-002 and the non-reimbursable coupons/VVVs of $270.65 from Finding #2020-001.

This is a repeat finding from the prior fiscal year.

Cause

This was an oversight on the part of the management.

Finding 2020-004 – Unsupported 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 with FAC's cost allocation plan. We also recommend that the cost allocation plan be formally updated.

View of Responsible Officials and Planned Corrective Action

The percentage of shared cost is allocated monthly. This finding was a result of human error in the spreadsheet used to allocate these expenses and was off by a fraction of a percent to 3%. This error has been identified and corrected internally.

Finding 2019-001 – Client Intake Forms were not Properly Filled Out

Criteria or Specific Requirement

Under the Low Income Fare is Easy Program (LIFE) Policies and Procedures, Section 7 states that, each agency agrees to screen and conduct a LIFE search, and to document information for each patron participating in LIFE, ensuring they meet the minimum eligibility criteria set forth by Metro.

Condition

During our site visits, we noted that the agency, LA Conservation Corp, had three (3) out of six (6) participants sampled that did not have authorized employee signatures on the agency's Affidavit of Eligibility form.

Cause

This was an oversight on the part of the agencies.

Effect

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

Recommendation

We recommend that FAC strengthen its controls over Affidavit of Eligibility forms by sending a reminder to all agencies of the requirements stated in the Low Income Fare is Easy Program (LIFE) Policies and Procedures.

View of Responsible Officials and Planned Corrective Action

FAME conducts regularly scheduled trainings detailing the Operating Guidelines and policies and procedures. These trainings are mandatory for every authorized staff to attend once per calendar year to serve as a reminder for proper program implementation at each agency.

Status

Implemented. FAC conducted mandatory trainings for all agencies to address the proper implementation of the program, including how to complete all forms.

<u>Finding 2019-002 – Unsupported allocation of personnel costs</u>

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:*

- *i.* *Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;*
- *ii.* *Be incorporated into the official records of the non-Federal entity;*
- *iii.* *Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities;*
- *iv.* *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;*
- *v.* *Comply with the established accounting policies and practices of the non-Federal entity;*
- *vi.* *[Reserved]*
- *vii.* *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, S&S noted the following issues related to payroll allocations.

1. Of the six (6) sampled employees allocated to the program for the sampled months of November 2018 and June 2019, one (1) out of six (6) employees did not maintain timecards for the two (2) sampled months (pay periods 11/15/19, 11/30/2019, 6/15/19, and 6/30/2019) to support actual hours worked on the program as shown in the table below.

Position	PPE	PPE		Amount billed
Executive Assistant	11/15/2018	11/15/2018	$	101
Executive Assistant	11/30/2018	11/30/2018		101
Executive Assistant	6/15/2019	6/15/2019		73
Executive Assistant	6/30/2019	6/30/2019		73
		Total	$	348

The total unsupported payroll expenses charged to the program for the two (2) months was $348.

Finding 2019-002 – Unsupported allocation of personnel costs (Continued)

Condition (Continued)

2. Five (5) out of six (6) employees' payroll expenses allocated to the program maintained timecards for the sampled months of November 2018 and June 2019. However, three (3) out of the five (5) employees' payroll expenses did not agree with their timecards which tracked actual hours worked per program. FAC represented that FAC did not use their timecards as a basis for the allocation of the three (3) employees' payroll expenses. Instead, payroll expenses were allocated to the program based on budgeted percentages which would not be "trued up" to actuals at year end. As such, the payroll allocated were not based on actual hours worked by the respective employees per timecard but based on budget as shown in the table below.

Pay Periods	Position		Per Invoice		Per Timecards		Over/(under) allocated
Nov-18	Human Resource Director	$	505	$	1,272	$	(767)
Nov-18	Senior Accountant		141		25		116
Nov-18	Staff Accountant		578		361		217
Jun-19	Human Resource Director		364		1,272		(908)
Jun-19	Senior Accountant		102		55		47
Jun-19	Staff Accountant		588		368		220
	Total	$	2,278	$	3,353	$	(1,075)

As a result, payroll expenses were inaccurately allocated to the program for two (2) months, causing a total under allocated amount of $1,075

3. For all six (6) employees' payroll allocated to the program, we also noted that the total hours per timecards did not agree to the total hours reported on FAC's labor distribution for the two months sampled. S&S noted that the labor distribution was used to generate the payroll register, record costs on FAC's general ledger, and used to complete the monthly invoices to LACMTA. FAC represented that accounting department prepared monthly payroll expense allocation schedules for various programs and distributed the schedules to the Human Resources department to produce labor distribution reports from FAC's payroll system. However, due to the oversight of the accounting department, the payroll expense allocation schedule was not provided to Human Resources in a timely manner, which caused the Human Resources department to use allocation percentages from the wrong pay period when producing the labor distribution report.

Cause

FAC represented that these were due to oversight.

Effect

Inadequate support for personnel costs may result in disallowed cost.

Finding 2019-002 – Unsupported allocation of personnel costs (Continued)

Effect

Inadequate support for personnel costs may result in disallowed cost.

Recommendation

We recommend that FAC strengthen its controls so that all program expenditures are billed at actual costs. We also recommend that FAC make the necessary adjustments to the general ledger to ensure that all personnel costs are allocated based on actual hours.

View of Responsible Officials and Planned Corrective Action

The employees' salary expenses in question were allocated based on percentage of total grant/revenue amount of each program. Moving forward, we will use actual hours recorded on the employee's timesheets in allocating salary expense to programs.

The labor distribution was not updated in a timely manner at HR department. Going forward, accounting will provide HR with salary expenses charged to each program in a timely manner. We also added an additional review process to ensure the amount and time on the labor distribution match the employees' timesheet.

Status

Not Implemented. We noted this as a repeat finding for the current fiscal year audit as discussed in Finding #2020-003.

Finding 2019-003 – Timesheets were not signed by supervisors and employees' signatures were not dated

Criteria or Specific Requirement

According to FAC's accounting policies and procedures, each timesheet needs to be approved by the appropriate supervisor before processing payroll.

Condition

During our review of personnel costs allocated to the program, we noted that two (2) out of six (6) employees' timecards sampled (Transportation Director and Staff Accountant) in November 2018 and June 2019 were not signed by a supervisor and/or the employee signature were not dated. As such, we were unable to determine if the employees' timecards were approved by the respective employee's supervisor or if the timecards were prepared in a timely manner.

Position	Pay Period	Missing Signature	Missing date
Transportation Director	Nov 2018	Missing supervisor	Employee signature was dated
Transportation Director	June 2019	Missing supervisor	Employee signature was dated
Staff Accountant	Nov 2018	Missing supervisor	No date on employee signature
Staff Accountant	June 2019	Missing supervisor	No date on employee signature

Cause

FAC represented that this was due to an oversight by the staff person, and that timesheets were not properly approved by the appropriate supervisor and dated by the employee.

Effect

The agency did not comply with its internal accounting policies and procedures.

Recommendation

We recommend that FAC strengthen its internal control to ensure that all timecards are approved and dated by the employee and/or supervisor before processing payroll and billing to LACMTA.

View of Responsible Officials and Planned Corrective Action

We agreed with the finding. Additional review processes will be in place moving forward.

Status

Implemented. FAC has implemented an additional review process to ensure timesheets are signed and dated by employees and supervisors.

Finding 2019-004 – Unsupported allocation of shared costs

Criteria or Specific Requirement

2 CFR Part 230, 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."*

Additionally, 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 non-personnel costs allocated to the program, we noted that FAC's cost allocation plan stated that shared costs are allocated using the cost basis of actual hours worked on the program. However, upon review of FAC's allocation worksheet, we noted that the costs of payroll service, management fees, information technology, office supplies, office expenses, postage and shipping, bank charges, and telephone expenses invoiced for the month of November 2018 and January 2019 were allocated based on unsupported payroll allocations discussed in Finding #2019-002.

The total unsupported non-payroll expenses from the two (2) sampled months were $9,386 as shown in the table below.

Finding 2019-004 – Unsupported allocation of shared costs (Continued)

Condition (Continued)

Invoice Month	Line Items		Amount Billed
Nov-18	Management Fees (Admin Fees)	$	45
Nov-18	Office Expense		107
Nov-18	Office Supplies		66
Nov-18	Payroll Service and Information Technology		4,476
Nov-18	Telephone		635
Jan-19	Management Fees (Admin fees)		53
Jan-19	Payroll service and Information Technology		3,343
Jan-19	Postage and Shipping		7
Jan-19	Telephone		654
	Total	$	9,386

However, repayment of the unsupported non-personnel expenses are not required as FAC incurred administrative costs totaling $325,396, including transportation costs (i.e., printings) for the program which exceeded the total contract administrative amount of $300,000 in the current fiscal year even after subtracting the unsupported non-personnel expenses of $9,386.

Cause

This was an oversight on the part of the management as current management was unable to provide sufficient and appropriate justification to the allocation of the non-personnel expenses.

Effect

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

Recommendation

We recommend that FAC strengthen its controls to ensure that shared costs are properly allocated in accordance with the agency's Cost Allocation Plan. We also recommend that the Cost Allocation Plan be formally updated.

View of Responsible Officials and Planned Corrective Action

This finding is directly impacted by issues surrounding allocation of payroll expenses. The corrective measures for payroll expense allocation will be to provide accurate non-payroll allocation once implemented.

Finding 2019-004 – Unsupported allocation of shared costs (Continued)

Status

Not Implemented. We noted this as a repeat finding for the current fiscal year audit as discussed in Finding #2020-004.

Finding 2019-005 – Overbilling to the program

Criteria or Specific Requirement

Under the Memorandum of Understanding – MOU.LIFEFAC2019 section 3B – Consultant shall submit monthly invoices to LACMTA for services described. Administrative costs for each fiscal year under this contract shall not exceed $300,000. The administrative cost must be supported by timecards or biweekly payroll check listings, copies of which shall be available upon request by LACMTA. Other direct and indirect charges and expenses shall be billed with costs supported by receipts, invoices, etc., copies of which shall be attached to the invoice.

Condition

During our review of non-personnel expenses allocated to the program, we noted that FAC charged facility rent costs to the programs for office space usage. According to the lease agreement, "Landlord shall provide the following services as part of Operating Expenses: Janitorial, maintenance and Trash Collection." As a result, janitor services, maintenance, and trash collection are included in the cost of rent. However, FAC inadvertently allocated janitorial services, building and elevator maintenance, and trash collection expense to the program again. As a result, duplicate expenses were billed to the program. The total amount of overbilling under facility rent charged to the program for the entire fiscal year was $499.

However, repayment of the unsupported non-payroll expenses are not required as FAC incurred administrative costs of $325,396, including the transportation costs (i.e., printings), on the program which exceeded the total contract administrative amount of $300,000 in the current fiscal year even after subtracting the overbilled amount of $499 and the unsupported non-personnel expenses of $9,386 in Finding #2019-004.

Cause

FAC represented that this was an oversight by the management.

Effect

Over-billing may result in a disallowed claim.

Finding 2019-005 – Overbilling to the program (Continued)

Recommendation

We recommend that FAC strengthen its controls to ensure that the amounts billed to LACMTA are verified for accuracy.

View of Responsible Officials and Planned Corrective Action

These accounts should not have been billed as separate charges. This was an oversight by the agency and will be corrected effective the January 2020 invoice to LACMTA.

Status

Implemented. We noted this has been corrected effective January 2020 invoice.

FAME Assistance Corporation
Immediate Needs Transportation Program (INTP)
Schedule of Prior Year Findings and Recommendations
Year ended June 30, 2019

Finding 2019-001 – Incomplete Client Intake Form

Criteria or Specific Requirement

Under the Immediate Needs Transportation Program (INTP) Operating Guidelines, distributing agencies are required to screen the eligibility of all recipients receiving coupons, vouchers, and/or transit tokens/SCRIP by completing a Client Intake form. The form should be accompanied by copies of supporting documents which establish that the recipient meets the minimum eligibility requirements as set forth by LACMTA. Qualifying support documents include identification, residency, domicile, source of income, and/or other documents which demonstrate eligibility. In cases where such documentation is not available (such as homelessness or other exceptional circumstances), the agency providing the service may complete an INTP agency Affidavit of Eligibility certifying the eligibility of the recipient based on the agency's own knowledge. Such an affidavit would constitute evidence of eligibility.

Condition

During the agency site visits, we noted the following conditions from each agency visited:

- The agency, South Central Los Angeles Region, had one (1) out of six (6) participants sampled that was missing a Client Intake form on file.
- The agency, Trinity Baptist Church, had two (2) out of six (6) participants sampled that were missing client signatures on the Client Intake form on file.

Cause

This was an oversight on the part of the agencies.

Effect

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

Recommendation

We recommend that FAC strengthen its controls over Client Intake forms by sending a reminder to all agencies of the requirements stated in the Immediate Needs Transportation Program (INTP) Operating Guidelines.

View of Responsible Officials and Planned Corrective Action

FAME conducts regularly scheduled trainings detailing the Operating Guidelines and policies and procedures. These trainings are mandatory for every authorized staff to attend once per every calendar year to serve as a reminder for proper Program implementation at each agency. Please note that Trinity Baptist Church is no longer a participating agency for the program in FY2020.

Status

Implemented. FAC conducted mandatory trainings for all agencies to address the proper implementation of the program, including how to complete Client Intake forms.

Finding 2019-002 – Missing signature on taxi coupon for reimbursement of Fare Media

Criteria or Specific Requirement

Under the Immediate Needs Transportation Program (INTP) Operating Guidelines, section entitled Criteria for Participating Cab Companies, Driver Procedures, the cab driver verifies the signatures of the passenger. Additionally, cab drivers are not to accept vouchers from passengers whose second signature does not match the original.

Condition

During our review of the monthly invoices from taxicab companies submit to FAC, we noted that one (1) taxi coupon submitted for reimbursement in the month of November 2018 from United Independent Taxi Drivers, Inc. did not have a verification signature. The total amount of the non-reimbursable coupon was $10.95.

Cause

FAC did not thoroughly review the invoices received from taxicab companies due to oversight. It is FAC's responsibility to ensure coupons have a verification signature signed by the passenger before reimbursing the taxicab company.

Effect

The agency may not be in compliance with INTP Operating Guidelines.

Recommendation

We recommend that FAC strengthen its controls to ensure that amounts invoiced to LACMTA are verified for accuracy. We also recommend that FAC send a reminder to all taxicab companies to enforce strict implementation of the requirements set forth in the INTP Operating Guidelines. Finally, we recommend that FAC repay the overbilling of $10.95 to LACMTA.

View of Responsible Officials and Planned Corrective Action

FAME will send a notification to all taxicab companies to strengthen the enforcement of INTP Program policies and procedures. FAME has agreed to pay back the questioned cost of $10.95 to LACMTA for the overbilling.

Status

Not Implemented. We noted this as a repeat finding for the current fiscal year audit as discussed in Finding #2020-001.

FAME Assistance Corporation
Immediate Needs Transportation Program (INTP)
Schedule of Prior Year Findings and Recommendations
Year ended June 30, 2019
(Continued)

Finding 2019-003 – Noncompliance with insurance requirement of Participating Cab Companies

Criteria or Specific Requirement

Under the Immediate Needs Transportation Program (INTP) Operating Guidelines, section entitled Criteria for Participating Cab Companies, the cab company must provide an additionally insured endorsement form. Any violation or omission of these requirements will preclude a cab company from further participation in the Program.

Condition

During our review of the eligibility of participating cab companies under FAC, we noted that Blue & Yellow Taxicab did not endorse FAME as the additionally insured.

Cause

FAC did not review the proof of insurance provided by Blue & Yellow Taxicab company due to oversight. It is FAC's responsibility to ensure that participating cab companies are eligible under INTP program.

Effect

The agency may not be in compliance with INTP Operating Guidelines.

Recommendation

We recommend that FAC strengthen its controls to ensure that contracted cab companies are verified to be eligible to participate in the INTP program. We also recommend that FAC send a reminder to the cab companies regarding strict implementation of the requirements set forth in the INTP Operating Guidelines.

View of Responsible Officials and Planned Corrective Action

All taxicab companies have updated the endorsements and named FAME as additionally insured for the FY2020 period.

Status

Implemented. We noted that taxicab companies have updated endorsements and have named FAC as additional insured for the FY2020.

Finding 2019-004 – Unsupported 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:*

- *i.* *Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;*
- *ii.* *Be incorporated into the official records of the non-Federal entity;*
- *iii.* *Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities;*
- *iv.* *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;*
- *v.* *Comply with the established accounting policies and practices of the non-Federal entity;*
- *vi.* *[Reserved]*
- *vii.* *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, we have noted the following issues related to personnel allocation:

1. Of the six (6) employees' payroll expenses allocated to the program for the sampled months of November 2018 and June 2019, one (1) out of six (6) employees did not maintain timecards for the two (2) sampled months (pay periods 11/15/19, 11/30/2019, 6/15/19, and 6/30/2019) to support actual hours worked on the program as shown in the table below.

Position	PPE	Amount Billed
Executive Assistant	11/15/2018	$ 97
Executive Assistant	11/30/2018	97
Executive Assistant	6/15/2019	123
Executive Assistant	6/30/2019	123
	Total	$ 440

The total unsupported payroll expenses allocated to the program for two (2) months was $440.

FAME Assistance Corporation
Immediate Needs Transportation Program (INTP)
Schedule of Prior Year Findings and Recommendations
Year ended June 30, 2019
(Continued)

<u>Finding 2019-004 – Unsupported allocation of personnel costs (Continued)</u>

Condition (Continued)

2. Five (5) out of six (6) sampled employees maintained timecards and the payroll expenses were allocated to the program for the sampled months of November 2018 and June 2019. However, three (3) out of five (5) employees' payroll expenses did not agree with their timecards which tracked actual hours worked per program. FAC represented that they did not use their timecards as a basis for the allocation of the three (3) employees' payroll expenses. Instead, payroll expenses are allocated to the program based on budgeted percentages which would not be "trued up" to actuals at year end. As such, the payroll allocated were not based on actual hours worked by the respective employees per timecard but based on budget as shown in the table below.

Pay Period	Position	Per Invoice	Per Timecards	Over / (under) allocated
Nov-18	Human Resource Director	$ 485	$ 1,228	$ (743)
Nov-18	Senior Accountant	136	24	112
Nov-18	Staff Accountant	2,312	1,093	1,219
Jun-19	Human Resource Director	615	1,228	(613)
Jun-19	Senior Accountant	172	-	172
Jun-19	Staff Accountant	2,353	2,613	(260)
	Total	$ 6,073	$ 6,186	$ (113)

As a result, payroll expenses were inaccurately allocated to the program for two (2) months causing a total under allocated amount of $113.

3. For all six (6) employees' payroll allocation to the program, we also noted that the total hours per timecards did not agree to the total hours reported on FAC's labor distribution for the two (2) months sampled. S&S noted that the labor distribution was used to generate the payroll register, record costs on FAC's general ledger, and used to complete the monthly invoices to LACMTA. FAC represented that accounting department prepared monthly payroll expense allocation schedules for various programs and distributed the schedules to the Human Resources department to produce labor distribution reports from FAC's payroll system. However, due to the oversight of the accounting department, the payroll expense allocation schedule was not provided to Human Resources in a timely manner, which caused the Human Resources department to use allocation percentages from the wrong pay period when producing the labor distribution report.

Cause

FAC represented that these were due to oversight.

Effect

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

Finding 2019-004 – Unsupported allocation of personnel costs (Continued)

Recommendation

We recommend that FAC strengthen its controls so that all program expenditures are billed at actual costs. We also recommend that FAC make the necessary adjustments to the general ledger to ensure that all personnel costs are allocated based on actual hours. Finally, we recommend that FAC repay the overbilling of $327 ($440-$113) to LACMTA.

View of Responsible Officials and Planned Corrective Action

The employees' salary expense in question were allocated based on percentage of total grant/revenue amount of each program. Moving forward, we will use actual hours record on employee timesheet in allocating salary expenses to programs.

The labor distribution was not updated in a timely manner at the HR department side. Going forward, accounting will provide HR with salary expense charged to each the program in a timely manner. We also added an additional review process to ensure amount and time on the labor distribution matched the employees' timesheet. FAC agrees with the questioned cost and will contact LACMTA, Program Manager, to discuss repayment plan options.

Status

Not Implemented. We noted this as a repeat finding for the current fiscal year audit as discussed in Finding #2020-003.

Finding 2019-005 – Timecards were not signed by supervisors and employees' signatures were not dated

Criteria or Specific Requirement

According to FAC's accounting policies and procedures, each timesheet needs to be approved by the appropriate supervisor before processing payroll.

Condition

During our review of personnel costs allocated to the program, we noted that two (2) out of six (6) employees' timecards sampled (Transportation Director and Staff Accountant) in November 2018 and June 2019 were not signed by the supervisor and/or the employee signature were not dated. As such, we were unable to determine if the employees' timecards were approved by the respective employee's supervisor or if the timecards were prepared in a timely manner.

Position	Pay Period	Missing Signature	Missing date
Transportation Director	Nov 2018	Missing supervisor	Employee signature was dated
Transportation Director	June 2019	Missing supervisor	Employee signature was dated
Staff Accountant	Nov 2018	Missing supervisor	No date on employee signature
Staff Accountant	June 2019	Missing supervisor	No date on employee signature

Cause

FAC represented that this was due to an oversight by staff, and that timesheets are required to be properly approved by the appropriate supervisor and dated by the employee.

Effect

FAC did not comply with its internal accounting policies and procedures.

Recommendation

We recommend that FAC strengthen its internal control to ensure that the timecards are approved and dated by the appropriate supervisor and employee before processing payroll and invoice to LACMTA.

View of Responsible Officials and Planned Corrective Action

We agreed with the finding. Additional review processes will be in place moving forward.

Status

Implemented. FAC has implemented additional review process to ensure timesheets are signed and dated by employees and supervisors.

<u>Finding 2019-006 – Unsupported allocation of shared costs</u>

Criteria or Specific Requirement

2 CFR Part 230, 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 non-personnel costs allocated to the program, we noted that FAC's cost allocation plan stated that the allocation of shared costs is allocated using the cost basis of actual hours worked on the program. However, upon review of FAC's allocation worksheet, we noted that the costs of payroll service, management fees, information technology, office supplies, office expenses, postage and shipping, bank charges, and telephone expenses invoiced for the month of November 2018 and January 2019 were allocated based on unsupported payroll allocations discussed in Finding #2019-004.

The total unsupported non-payroll costs invoiced for two (2) sampled months were $3,689 as shown in the table below.

Finding 2019-006 – Unsupported allocation of shared costs (Continued)

Condition (continued)

Invoice Month	Line Items		Amount Billed
Nov-18	Management Fees (Admin Fees)	$	47
Nov-18	Office Expense		45
Nov-18	Payroll Service and Information Technology		1,077
Nov-18	Postage and Shipping		16
Nov-18	Telephone		658
Jan-19	Management Fees (Admin Fees)		55
Jan-19	Payroll Service and Information Technology		1,114
Jan-19	Telephone		677
	Total	$	3,689

Cause

This was an oversight on the part of the management as current management was unable to provide sufficient and appropriate justification to the allocation of the non-personnel expenses.

Effect

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

Recommendation

We recommend that FAC strengthen its controls to ensure that shared costs are properly allocated in accordance with FAC's Cost Allocation Plan. We also recommend that the Cost Allocation Plan be formally updated. We also recommend that FAC repay the overbilling of $3,689 to LACMTA.

View of Responsible Officials and Planned Corrective Action

This finding is directly impacted by issues surrounding allocation of payroll expenses. The corrective measures for payroll expense allocation will be provided with accurate non-payroll allocations once implemented. FAC agrees with the questioned cost and will contact LACMTA, Program Manager, to discuss repayment plan options.

Status

Not Implemented. We noted this as a repeat finding for the current fiscal year audit as discussed in Finding #2020-004.

<u>Finding 2019-007 – Unsupported and inaccurate allocation of shared costs</u>

Criteria or Specific Requirement

Under the Memorandum of Understanding – MOU.P00FAC8 section 3B – Consultant shall submit monthly invoices to LACMTA for services described. Administrative costs for each fiscal year under this contract shall not exceed $325,000. The administrative cost must be supported by timecards or biweekly payroll check listings, copies of which shall be available upon request by LACMTA. Other direct and indirect charges and expenses shall be invoiced with costs supported by receipts, invoices, etc., copies of which shall be attached to the invoice.

Condition

During our review of the non-personnel costs charged to the program, we noted the following issues related to shared costs:

1. The following issues were noted for two (2) transactions invoiced under the “office supplies” line item (that FAC used to record direct program office expense): 1) untimely invoiced items on the June 2019 invoice and 2) unsupported cost allocation methodology. During out review, we noted that the two office supplies were supported by the two (2) receipts of $10.85 and $17.38 for a total of $28.23, from Office Depot to purchase office supplies on 6/12/2017 and allocated 100% of the costs to the program. We inquired with FAC regarding the basis of the allocation and the reason for the delay in submitting the expenses to LACMTA; however, FAC represented that the worksheet was not maintained to explain how INTP program costs would be allocated as well as the reason for the last submission of the expenses. As a result, $28.23 office supplies charged to the program was unsupported.

Invoice Date	Invoice Amount	Allocation %	Unsupported Amount
6/12/2017	$ 10.85	100%	$ 10.85
6/12/2017	17.38	100%	17.38
		Total	$ 28.23

2. One (1) transaction invoiced under the “telephone” line item on the May 2019 invoice was not based on FAC's correct cost allocation plan for the INTP program. FAC inadvertently used the percentage of another program (RRTP) of FAC when the allocation of shared costs was prepared as shown in the table below. The total amount over billed was $280.32.

Invoice Line Item	Invoice Amount	Allocation % Invoiced	Allocation % S&S Recalc.	Overbilled Amount
Telephone	$ 3171.05	28.80%	19.96%	$ 280.32

<u>Finding 2019-007 – Unsupported and inaccurate allocation of shared costs (Continued)</u>

Condition (continued)

3. FAC charged facility rent costs to the program for office space usage. According to the lease agreement, “Landlord shall provide the following services as part of Operating Expenses: Janitorial maintenance and Trash Collection.” As a result, janitor services, maintenance, and trash collection were included in the cost of rent. However, FAC inadvertently allocated janitorial services, building and elevator maintenance, and trash collection expense to the program again. As a result, duplicate expenses were invoiced to the program. The total amount of overbilling under facility rent charged to the program for the entire fiscal year was $301.67.

The total over-billed amount is $610.22 ($28.23 + $280.32 + $301.67).

Cause

FAC represented that this is due to an oversight by the management.

Effect

Overbilling, unsupported or inaccurate allocations may result in disallowed claims.

Recommendation

We recommend that FAC strengthen its controls to ensure that the amounts invoiced to LACMTA are verified for accuracy. We also recommend that FAC repay the overbilled amount of $610.22 to LACMTA.

View of Responsible Officials and Planned Corrective Action

The two transactions invoiced during the month of June 2019 were due to oversight. A new review process has been implemented to avoid future errors. The new review process requires both the accounting department and department manager to review receipts and all backup documentation to be checked for timeliness. The transaction allocated to INTP with the wrong percentage was due to human error and oversight and was mistakenly classified to the wrong department. Also, facility maintenance accounts should not have been invoiced as separate charges. This was an oversight by FAC and will be corrected effective the January 2020 invoice to LACMTA. A new review process has been implemented to include a second review by either the senior accountant or the department director. FAC agrees with the questioned cost and will contact the LACMTA Program Manager to discuss repayment plan options.

Status

Not Implemented. We noted this as a repeat finding for the current fiscal year audit as discussed in Finding #2020-004.

EXIT CONFERENCE

FAME Assistance Corporation
Low Income Fare is Easy (LIFE)
Exit Conference
June 30, 2020

An exit conference was held on February 12, 2021 with the FAME Assistance Corporation, Inc.'s representatives. Those in attendance were:

Simpson & Simpson CPAs representatives:

Mark Frishwasser, Audit Senior
Alan Liang, Audit Associate

FAC representatives:

Azim Popatia, Accountant
Susan Acorin, Accountant
Ronni Jackson, Director of Transportation Services

Matters discussed:

Results of the audit disclosed three (3) significant control deficiencies and four (4) non-compliance issues 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, Accountant
Susan Acorin, Staff Accountant
Ronni Jackson, Director of Transportation Services