

FAME Assistance Corporation

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

**As of and for the Years Ended June 30, 2021 and 2020
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



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

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 (Metro), which comprise the statement of financial position as of June 30, 2021 and 2020, 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 audit. We conducted our audit 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 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 Low Income Fare is Easy (LIFE) Program prepared by FAME Assistance Corporation, Inc. as of June 30, 2021 and 2020, 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, 2021 and 2020, 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, 2022 on our consideration of FAC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FAC's internal control over financial reporting and compliance.

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

February 11, 2022
Los Angeles, California

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

		June 30	
ASSETS		2021	2020
Due from Metro	\$	188,219	\$ 116,780
Total assets	\$	188,219	\$ 116,780
LIABILITIES AND NET ASSETS			
Liabilities			
Due to FAC (Note 4)	\$	154,945	\$ 69,001
Accounts payable		33,274	47,779
Total liabilities		188,219	116,780
Net Assets		-	-
Total liabilities and net assets	\$	188,219	\$ 116,780

The accompanying notes are an integral part of the financial statements

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

REVENUES	Years Ended June 30	
	2021	2020
Grant revenue	\$ 733,393	\$ 925,347
Contribution from FAC	450	9,819
Total revenues	733,843	935,166
EXPENSES		
Program expenses		
Taxi Vouchers	141,463	240,030
4-Regional Ride Trip Ticket	-	70,000
Printing	9,605	17,913
Total program expenses	151,068	327,943
Administrative expenses		
Salaries and wages	279,074	358,222
Employee benefits	40,417	56,218
Allocated general and administrative costs	32,673	29,500
Facility cost	59,468	43,859
Payroll taxes	22,313	29,177
Consultants and purchased services	127,266	64,851
Printing and postage	1,683	3,091
Telephone	14,840	14,767
Supplies	2,628	3,744
Insurance	591	867
Purchased/leased equipment	1,098	424
Travel, conference and dues	262	926
Security	40	34
Office expense	422	762
Repairs and maintenance	-	781
Total administrative expenses	582,775	607,223
Total expenses	733,843	935,166
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 Cash Flows

	Years Ended June 30	
	2021	2020
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 Metro	(71,439)	30,050
Accounts payable	(14,505)	(42,941)
Net cash used in by operating activities	(85,944)	(12,891)
 Cash from financing activities		
Due from FAC	-	15,806
Due to FAC	85,944	(2,915)
Net cash provided by financing activities	85,944	12,891
 Change in cash	-	-
 Cash		
Beginning of year	-	-
End of year	\$ -	\$ -

The accompanying notes are an integral part of the financial statements

FAME Assistance Corporation
Low Income Fare is Easy (LIFE) Program
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

NOTE 1 – BACKGROUND

The Low Income Fare is Easy (LIFE) Program was approved by Metro’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). Metro oversees two agencies, FAME Assistance Corporation (FAC) and the International Institute of Los Angeles (IILA) to administer the LIFE Program.

IILA and FAME 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).

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 Metro. Under the contract, Metro will reimburse FAC for all costs incurred by FAC in the performance of the program up to a certain amount annually approved by Metro (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, 2021 and 2020, 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.

FAME Assistance Corporation
Low Income Fare is Easy (LIFE) Program
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020
(Continued)

NOTE 4 - DUE TO FAC

FAC advances money for the operating expenses of the LIFE program. Monthly, FAC sends an invoice to Metro to seek reimbursement for expenses paid by FAC for operating the LIFE program. At June 30, 2021 and 2020, the amounts due to FAC were \$154,945 and \$69,001, respectively.

NOTE 5 – ALLOCATION FOR THE YEAR

Per the Contract (PS60564000A) effective January 1, 2020, Metro will reimburse FAC for administrative cost in the performance of services in accordance with the contract. In addition, Metro 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 Metro of costs incurred by FAC on LIFE.

NOTE 6 – LIFE COMPLIANCE REQUIREMENTS

LIFE is governed by the provisions of the MOU and Contract between Metro 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 – IMPACT OF CORONAVIRUS

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. 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, including the United States.

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 government entities. However, FAC's management believes that the financial impact, if any will not materially affect the June 30, 2021 financial statements of LIFE.

FAME Assistance Corporation
Low Income Fare is Easy (LIFE) Program
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020
(Continued)

NOTE 9 – SUBSEQUENT EVENTS

FAC has evaluated events or transactions that occurred subsequent to June 30, 2021 through February 11, 2022, the date the financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the financial statements of LIFE.

**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, 2021**

<u>Taxi Company</u>	<u>Taxi Coupons</u>	<u>Variable Value Vouchers</u>	<u>Total</u>
Administrative Services Co-op.	\$ 8,136	\$ 76,472	\$ 84,608
Bell Cab Company Inc.	21,304	382	21,686
Beverly Hills	-	25	25
Green Valley Cab Inc.	362	6,058	6,420
Independent Taxi Owner's Assoc	194	9,364	9,558
JR Taxi	919	766	1,685
LA City Cab	-	623	623
United Independent Taxi	99	16,058	16,157
United Taxi - Southwest	-	30	30
Yellow Star Cab Co.	135	536	671
Total	\$ 31,149	\$ 110,314	\$ 141,463

Note:

This schedule presents the amounts of redeemed vouchers billed by taxi companies to FAME based on the actual vouchers redeemed by LIFE participants.

See accompanying independent auditor's report

**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, 2021**

<u>Taxi Company</u>	<u>0-30 Days</u>	<u>Total</u>
Administrative Services Co-op.	\$ 7,216	\$ 7,216
Bell Cab Company Inc.	1,880	1,880
Green Valley Cab Inc.	591	591
Independent Taxi Owner's Assoc	135	135
United Independent Taxi	963	963
JR Taxi Services Inc.	66	66
LA City Cab LLC	22	22
Total	\$ 10,873	\$ 10,873

See accompanying independent auditor's report



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

**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 the FAME Assistance Corporation, Inc. (FAC)**, a not-for-profit organization, funded by the Los Angeles County Metropolitan Transportation Authority (Metro), which comprise the statement of financial position as of June 30, 2021, 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 11, 2022.

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) as a basis for designing 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 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 11, 2022

COMPLIANCE SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

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 the **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, 2021.

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 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 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, 2021.



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. 2021-001, 2021-002, 2021-003, 2021-004 and 2021-005. 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Recommendation as Finding Nos. 2021-003 and 2021-004, that we consider to be significant deficiencies.



FAC's responses to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Recommendations. FAC's responses were not subjected to the auditing procedures 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.

A handwritten signature in black ink that reads "Simpson & Simpson".

Los Angeles, CA
February 11, 2022

**FAME Assistance Corporation
Low Income Fare is Easy (LIFE) Program
Schedule of Findings and Recommendations
Year ended June 30, 2021**

Finding 2021-001 – Missing general liability insurance and business license

Criteria or Specific Requirement

According to Low Income Fare is Easy (LIFE) Operating Guidelines, section entitled Criteria for Participating Taxi Companies, states:

“The taxi company must:

- *Be franchised/authorized to operate (pick up patrons) by appropriate authorities and local jurisdictions.*
- *Operate under a signed written agreement with ILLA.*
- *Be committed to following all programs and reporting requirements.*
- *Provide proof of general liability (1M) and automobile (350K).*
- *Provide proof of insurance for all vehicles that will be used by the program patrons.*
- *Provide copies of valid business license upon renewal.*
- *Provide additionally insured endorsement form.”*

Condition

During our review of taxicab billing, we noted that one (1) out of six (6) taxicab companies selected maintained general liability insurance which expired on March 3, 2021. As a result, JR Taxi Services did not have general liability insurance for four (4) months between March 4, 2021 to June 30, 2021.

Cause

This was an administrative oversight by the taxicab company due to the COVID-19 pandemic.

Effect

The taxicab company is not in compliance with LIFE Operating Guidelines.

Recommendation

We recommend that FAC send a reminder to the 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 accepts the finding that JR Taxi Services did not supply proof of general liability for the 4-month period of March 2021 to June 2021. FAC will implement a tracking feature to note the date range for all insurance policies to avoid any future lapse of insurance by the participating taxi companies. FAC will suspend service with any taxi company in the event of missing insurance or any other required documentation as required by the Operating Guidelines.

**FAME Assistance Corporation
 Low Income Fare is Easy (LIFE) Program
 Schedule of Findings and Recommendations
 Year ended June 30, 2021
 (Continued)**

Finding 2021-002 – Supporting documentation for invoiced costs were not maintained

Criteria or Specific Requirement

According to Contract #PS60564000A effective January 1, 2020, under section GC-44 D entitled Records Retention, “the Contractor, Subcontractors and Suppliers shall maintain all Records required under this Contract for a period of not less than three years after the date of Termination, in whole or in part or Final Payment, whichever is later”.

Condition

During our review of the monthly invoices submitted to Metro, we noted the following issue:

Of the forty-one (41) sampled non-payroll expenses allocated to the program, FAC did not maintain supporting documentation (i.e., invoices and cancelled check) for three (3) non-payroll expenses in the sampled months of September 2020 and June 2021 as shown in the table below.

Invoice Month	Invoice Line Item	Unsupported Amount
September 2020	Printing and Publications	\$ 235
September 2020	Printing and Publications	55
June 2020	Printing and Publications	60
Total		\$ 350

Cause

FAC represented that the issues were due to oversight.

Effect

Inadequate support for administrative costs billed to the Program would result in disallowed cost.

Recommendation

We recommend that FAC strengthen its controls to ensure that complete records of its costs and expenses relating to the performance of program services are kept and maintained, in accordance with the Agreement and Contract with Metro. We also recommend that FAC repay the unsupported cost of \$350 to Metro.

**FAME Assistance Corporation
Low Income Fare is Easy (LIFE) Program
Schedule of Findings and Recommendations
Year ended June 30, 2021
(Continued)**

Finding 2021-002 – Supporting documentation for invoiced costs were not maintained (continued)

View of Responsible Officials and Planned Corrective Action

FAC realized the error and only provided the auditor the back-up documentation for the printing costs associated with the LIFE Program. This caused a discrepancy against the total invoice which shows the printing costs across all programs. FAC agrees with the recommendation to strengthen its controls to ensure that complete records of its cost and expenses related to the program are kept and maintained. FAC will repay the unsupported cost of \$350 to Metro.

Finding 2021-003 – 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.”*

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.”

**FAME Assistance Corporation
 Low Income Fare is Easy (LIFE) Program
 Schedule of Findings and Recommendations
 Year ended June 30, 2021
 (Continued)**

Finding 2021-003 – Unsupported allocation of personnel costs (continued)

Condition

During our review of payroll related costs invoiced to Metro, we noted four (4) out of six (6) employees' payroll expenses allocated and billed to the program were not supported by timecards in the months of September 2020 and June 2021. The payroll allocated was not based on actual hours worked or an appropriately supported cost basis by the respective employees per timecard, but was allocated based on budget as shown in the table below.

Pay period	Position	Per Invoice	Per Timecard	Over (Under) Allocated
Sep 2020	LIFE Staff Support/Accounting	\$ 992	\$ 579	\$ 413
Sep 2020	LIFE Staff Support	3,389	3,165	224
Sep 2020	Transportation Department Director	6,757	6,672	85
	Subtotal	11,138	10,416	722
Jun 2021	LIFE Program Manager	3,333	3,349	(16)
Jun 2021	LIFE Staff Support/Accounting	1,133	661	472
Jun 2021	LIFE Staff Support	3,389	3,165	224
Jun 2021	Transportation Department Director	3,379	3,336	43
	Subtotal	11,234	10,511	723
	Total	\$ 22,372	\$ 20,927	\$ 1,445

As a result, payroll expense allocations to the program were unsupported in the sampled months, causing a total overbilling in the amount of \$1,445.

This is a repeat finding from the prior fiscal year.

Cause

FAC represented that the issues were due to oversight.

Effect

Inadequate support for personnel cost allocations may result in disallowed cost.

Recommendation

We recommend that FAC strengthen its controls to ensure that all personnel costs charged to the program are supported by direct program hours, or an appropriately supported allocation basis. We also recommend that FAC repay the unsupported allocation of personnel cost of \$1,445 to Metro.

**FAME Assistance Corporation
Low Income Fare is Easy (LIFE) Program
Schedule of Findings and Recommendations
Year ended June 30, 2021
(Continued)**

Finding 2021-003 – Unsupported allocation of personnel costs (continued)

View of Responsible Officials and Planned Corrective Action

FAC has been manually documenting time which allows for small discrepancies with fractions of time when allocated across departments. FAC has invested in a time recording feature with ADP which allows each employee to track actual worked hours (to the minute/second) across programs. This should no longer be finding in future audits. FAC will repay the unsupported allocation of personnel cost of \$1,445 to Metro.

Finding 2021-004 – 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.”*

Condition

During our review of non-personnel costs, it was noted that certain shared costs were allocated and billed to Metro using the cost basis of budgeted personnel hours in September 2020 and June 2021 as noted in Finding #2021-002. Specifically, we 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 September 2020 and June 2021 were allocated and billed based on budgeted percentages of personnel hours.

**FAME Assistance Corporation
Low Income Fare is Easy (LIFE) Program
Schedule of Findings and Recommendations
Year ended June 30, 2021
(Continued)**

Finding 2021-004 – Unsupported allocation of shared costs (continued)

Condition

We 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 Metro in the two (2) sampled months were \$190.67 as shown in the table below.

Invoice Month	Invoiced Line Item	Total Cost	Allocation %		Over (Under) Billed Amount
			Invoiced to Metro	Auditor Recal	
Jun 2021	Consultants	\$ 500.00	48.10%	46.59%	\$ 7.57
Jun 2021	Outside Services	100.00	45.36%	46.59%	(1.23)
Sep 2020	Payroll Service	318.90	38.21%	36.91%	4.16
Jun 2021	Payroll Service	933.83	48.10%	46.59%	14.14
Sep 2020	Information Technology	2,514.00	38.21%	36.91%	32.74
Jun 2021	Information Technology	2,514.00	48.10%	46.59%	38.05
Sep 2020	Telephone	3,704.82	38.21%	36.91%	48.25
Jun 2021	Telephone	2,788.88	48.10%	46.59%	42.22
Jun 2021	Website Maintenance	200.00	48.10%	46.59%	3.03
Sep 2020	Office Supplies	152.89	38.21%	36.91%	1.99
Jun 2021	Bank Charges	20.00	45.35%	46.59%	(0.25)
				Total	\$ 190.67

This is a repeat finding from the prior fiscal year.

Cause

This was an oversight on the part of the management.

Effect

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

Recommendation

We recommend that FAC strengthen its internal controls to ensure that shared costs are properly allocated and supported in accordance with FAC’s cost allocation plan. We also recommend that FAC repay the unsupported allocation of shared costs of \$190.67 to Metro.

View of Responsible Officials and Planned Corrective Action

FAC is working to restructure its cost allocation plan and will work with a professional consultant to strengthen its internal controls to ensure that shared costs are properly allocated. This coupled with the enhanced tracking feature that FAC has implemented with ADP should resolve any future unsupported shared costs issues. FAC will repay the unsupported allocation of shared costs of \$190.67 to Metro.

**FAME Assistance Corporation
Low Income Fare is Easy (LIFE) Program
Schedule of Findings and Recommendations
Year ended June 30, 2021
(Continued)**

Finding 2021-005 – Invoice to Metro did not reconcile to accounting records

Criteria or Specific Requirement

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 total amount invoiced to Metro for the fiscal year 2020-2021, we noted that certain categories invoiced to Metro did not reconcile to FAC’s trial balance as noted in the table below:

Category	Per Trial Balance	Per YTD Billing to Metro	Over/(Under) Billing
Payroll Taxes	\$ 62,730	\$ 63,832	\$ 1,102
Admin Fee	1,087	1,055	(32)
Facility Cost (Rent, Bldg. Maintenance/Supplies)	59,468	59,478	10
Security	40	33	(7)
Outside Services	22,196	21,726	(470)
Equipment Lease/Rental & Maintenance	55	45	(10)
Total	\$ 145,576	\$ 146,169	\$ 593

Cause

FAC represented that this was an oversight by the staff person in charge in preparing the invoices to Metro.

Effect

Inadequate support for administrative cost would result in over/(under) billing to Metro.

**FAME Assistance Corporation
Low Income Fare is Easy (LIFE) Program
Schedule of Findings and Recommendations
Year ended June 30, 2021
(Continued)**

Finding 2021-005 – Invoice to Metro did not reconcile to accounting records (continued)

Recommendation

We recommend that FAC perform a reconciliation of monthly billing to the trial balance prior to submission to Metro to avoid over and/or under billing. We also recommend that FAC repay Metro the over billed amount of \$593.

View of Responsible Officials and Planned Corrective Action

FAC accepts the finding and realizes the internal error with a miscalculation between the billing to Metro and the trial balance. FAC agrees with the recommendation and will strengthen its controls to perform a reconciliation of monthly billing and the general ledger prior to submission to Metro to avoid over and/or under billing. FAC will repay Metro the overbilled amount of \$593.

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

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, we 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 Prior Year 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
Sep 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
May 2020	Admin. Services Co. Inc.	F333572	Taxi Company	13.65
May 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 Metro 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 Metro 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.

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

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

Status

Implemented. FAC implemented a double review system to review the invoices, coupons and vouchers for complete and accurate information. Additionally, FAC in collaboration with International Institute of Los Angeles (IILA) held a refresher training for all participating taxicab companies. During the training, FAC reviewed the policies and procedures for the taxicab companies as outlined in the LIFE Program Operating Guidelines.

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

Criteria or Specific Requirement

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

“Taxi coupons/VVs not invoiced within thirty (30) days of the taxi coupons/VV’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 VVs. Specially, Administrative Service Corporation, Inc.’s May 2020 invoice sought the reimbursement for one hundred twenty-six (126) VVs, of which two (2) VVs were dated on March 8, 2020.

Invoice Month	VV #	Date of the Patron Trip	VV 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 invoice VVs 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 VVs of \$30.90 and the non-reimbursable coupons/VVs of 270.65 from Finding #2020-001.

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

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

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.

Recommendation

We recommend that FAC strengthen their internal controls to ensure 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 Metro program management. All other coupons and/or vouchers will be rejected and will not be accepted for payment.

Status

Implemented. Due to the COVID-19 pandemic taxicab companies were experiencing delays in submission of their invoices. As a result, Metro implemented new guidelines that will allow Metro to approve the submission and payments of late invoices. An email request with backup documentation will be sent to Metro Program Manager if FAC receives invoices past the deadline. If approved by Metro, FAC will process 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.”

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

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

Criteria or Specific Requirement (continued)

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.”*

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 Metro, 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 charged to the program was \$976.

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

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

Condition (continued)

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 allocated were not based on actual hours worked or an appropriately supported cost basis by the respective employees, but were based on budget as shown in the table below.

Pay period	Position	Per Invoice	Per Timecard	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	<u>17,989</u>	<u>18,462</u>	<u>(473)</u>
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	<u>10,307</u>	<u>8,431</u>	<u>1,876</u>
	Total	<u>\$ 28,296</u>	<u>\$ 26,893</u>	<u>\$ 1,403</u>

As a result, payroll expenses were inaccurately allocated to the program 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.

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

Finding 2020-003 – 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 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 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.

Status

Not implemented. We noted this as a repeat finding for the current fiscal year audit as discussed in Finding #2021-003.

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.”

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

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

Criteria or Specific Requirement (continued)

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.”*

Condition

During our review of non-personnel costs, it was noted that certain shared costs were allocated and billed to Metro using the cost basis of budgeted personnel hours in October 2019 and June 2020 as noted in Finding #2020-003. Specially, we 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 for the month of October 2019 and June 2020 were allocated and billed based on budgeted percentages of personnel hours

We 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 Metro in the two (2) sampled months were \$243.90 as shown in the table below.

Invoice Month	Invoiced Line Item	Total Cost	Allocation %		Over (Under) Billed Amount
			Invoiced to Metro	Auditor Recal	
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

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

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

Condition (continued)

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 prior fiscal year.

Cause

This was an oversight on the part of the management.

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.

Status

Not implemented. We noted this as a repeat finding for the current fiscal year audit as discussed in Finding #2021-004.

EXIT CONFERENCE

**FAME Assistance Corporation
Low Income Fare is Easy (LIFE)
Exit Conference
June 30, 2021**

An exit conference was held on February 11, 2022 with the FAME Assistance Corporation, Inc.'s representatives. Those in attendance were:

Simpson & Simpson CPAs representative:

Mark Frishwasser, Audit Senior

FAC representatives:

Azim Popatia, Accountant

Ronni Jackson, Director of Transportation Services

Matters discussed:

Results of the audit disclosed two (2) significant control deficiencies and five (5) 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, Accountant

Ronni Jackson, Director of Transportation Services