

International Institute of Los Angeles

**Report on the Low Income Fare is Easy (LIFE) Program
by International Institute of Los Angeles under
its Contract No. PS60564000B
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

**International Institute of Los Angeles
Low Income Fare is Easy (LIFE) Program
TABLE OF CONTENTS**

FINANCIAL SECTION	<u>PAGE</u>
Independent Auditor's Report	1
Basic Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6
Supplementary Information:	
Schedule of Taxi Companies with Payment Data	8
Schedule of Outstanding Payables to Taxi Companies	9
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	10
COMPLIANCE SECTION	
Independent Auditor's Report on Compliance	12
Schedule of Findings and Recommendations	15
Schedule of Prior Year Findings and Recommendations	22
EXIT CONFERENCE	24

FINANCIAL SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

To International Institute of Los Angeles 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) by International Institute of Los Angeles (IILA)**, 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 financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Low Income Fare is Easy (LIFE) Program by the International Institute of Los Angeles as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance 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 IILA'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 7, 2022 on our consideration of IILA'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 IILA's internal control over financial reporting and compliance.

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

February 10, 2022
Los Angeles, California

**International Institute of Los Angeles
Low Income Fare is Easy (LIFE) Program
Statements of Financial Position**

		June 30	
		2021	2020
ASSETS			
Cash	\$	171,349	\$ 27,927
Accounts receivable		103,472	81,795
Other assets		1,338	347
Total assets	\$	276,159	\$ 110,069
 LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	\$	17,050	\$ 17,558
Due to IILA (Note 4)		285,450	127,894
Accrued payroll and vacation		14,681	8,001
Total liabilities		317,181	153,453
Net assets		(41,022)	(43,384)
Total liabilities and net assets	\$	276,159	\$ 110,069

The accompanying notes are an integral part of the financial statements

**International Institute of Los Angeles
Low Income Fare is Easy (LIFE) Program
Statements of Activities**

		Years Ended June 30	
		2021	2020
REVENUE			
Grant revenue	\$	481,968	\$ 646,394
Total revenue		481,968	646,394
 EXPENSES			
Program expenses			
Taxi vouchers		116,609	221,763
Token		-	129,280
Coupon printing		4,773	11,782
Total program expenses		121,382	362,825
 Administrative expenses			
Salaries and wages		225,832	168,299
Employee benefits		51,892	45,393
Management and general allocation		28,023	27,982
Telephone and utilities		7,302	7,186
Supplies		8,901	18,617
Insurance		252	1,378
Repairs and maintenance		695	1,325
Leased equipment		6,154	2,670
Staff mileage		747	1,620
Postage		1,121	91
Computer maintenance		11,597	19,737
Audit		744	2,121
Rent		14,964	10,562
Total administrative expenses		358,224	306,981
Total expenses		479,606	669,806
Change in net assets		2,362	(23,412)
Net assets at beginning of year		(43,384)	(19,972)
Net assets at end of year	\$	(41,022)	\$ (43,384)

The accompanying notes are an integral part of the financial statements

**International Institute of Los Angeles
Low Income Fare is Easy (LIFE) Program
Statements of Cash Flows**

	Years ended June 30	
	2021	2020
Cash from operating activities		
Change in net assets	\$ 2,362	\$ (23,412)
Adjustment to reconcile change in net asset to net cash provided by (used in) operating activities:		
Change in operating assets and liabilities		
Accounts receivable	(21,677)	38,292
Other assets	(991)	(282)
Accounts payable and accrued expenses	(508)	(47,465)
Accrued payroll and vacation	6,680	(4,687)
Net cash used in by operating activities	(14,134)	(37,554)
 Cash from financing activities		
Due from IILA	157,556	(52,775)
Net cash provided (used in) financing activities	157,556	(52,775)
 Change in cash	 143,422	 (90,329)
 Cash		
Beginning of year	27,927	118,256
End of year	\$ 171,349	\$ 27,927

The accompanying notes are an integral part of the financial statements

**International Institute of Los Angeles
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: the International Institute of Los Angeles (IILA) and FAME Assistance Corporation (FAC) to administer the LIFE program.

IILA and FAC make 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 the 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 (VVs).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

IILA’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 IILA for all costs incurred by IILA in the performance of the program up to a certain amount annually approved by Metro.

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 IILA’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.

NOTE 4 – DUE TO IILA

IILA’s General Fund advances money for the operating expenses of the LIFE program. Monthly, IILA sends an invoice to Metro to seek reimbursement for expenses paid by IILA for operating the LIFE program. At June 30, 2021 and 2020, the amounts due to IILA were \$285,450 and \$127,894.

International Institute of Los Angeles
Low Income Fare is Easy (LIFE) Program
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020
(Continued)

NOTE 5 – ALLOCATION FOR THE YEAR

Per the Contract (PS60564000B) effective January 1, 2020, Metro will reimburse IILA for administrative cost in the performance of services in accordance with the contract. In addition, Metro will reimburse IILA for the cost of printing vouchers and appropriate/eligible payments that IILA makes to taxi companies as part of the Taxi Subsidy Program.

Expenses presented in the Statement of Activities represent expenses billed for reimbursements to Metro of costs incurred by IILA on the LIFE.

NOTE 6 – LIFE COMPLIANCE REQUIREMENTS

LIFE is governed by the provisions of the Contract between Metro and IILA, 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 – MANAGEMENT AND GENERAL ALLOCATION

Management and general costs are allocated to programs based on direct costs for the programs excluding subcontractor costs and other pass-through cost.

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

NOTE 9 – SUBSEQUENT EVENTS

IILA has evaluated events or transactions that occurred subsequent to June 30, 2021 through February 7, 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.

**International Institute of Los Angeles
Low Income Fare is Easy (LIFE) Program
Schedule of Taxi Companies with Payment Data
Years ended June 30, 2021**

Taxi Companies	Taxi Coupons	Variable Value Vouchers	Total
Administrative Services Co-op.	\$ 2,932	\$ 33,331	\$ 36,263
Bell Cab Company	5,751	112	5,863
California Cab Company	3,420	463	3,883
G&S Transit Management, Inc.	33	-	33
Green Valley Taxi, Inc.	7,183	9,531	16,714
Independent Taxi Owner's Assoc.	-	12,096	12,096
L.A. City Cab, LLC dba City Cab	2,288	32,823	35,111
Tri-City Transportation Systems, Inc.	726	164	890
United Independent Taxi Drivers	-	5,734	5,734
United Taxi of South-West, Inc.	-	24	24
Total	\$ 22,333	\$ 94,278	\$ 116,611

Note:

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

See accompanying independent auditor's report

**International Institute of Los Angeles
 Low Income Fare is Easy (LIFE) Program
 Schedule of Outstanding Payables to Taxi Companies
 Years ended June 30, 2021**

Taxi Companies	0-30 Days	Total
Administrative Services Co-op.	\$ 4,067	\$ 4,067
Bell Cab Company	1,072	1,072
California Cab Company	884	884
Green Valley Taxi, Inc.	748	748
Independent Taxi Owner's Assoc.	1,952	1,952
L.A. City Cab, LLC dba City Cab	6,575	6,575
United Independent Taxi Drivers	1,728	1,728
United Taxi of South-West, Inc.	24	24
Total	\$ 17,050	\$ 17,050

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 International Institute of Los Angeles 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 **Low Income Fare is Easy (LIFE) Program (the Program) by the International Institute of Los Angeles (IILA)**, 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 7, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered IILA'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 IILA's internal control. Accordingly, we do not express an opinion on the effectiveness of IILA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

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

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

Los Angeles, CA
February 7, 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 International Institute of Los Angeles and the
Los Angeles County Metropolitan Transportation Authority

Report on Compliance

We have audited the compliance of the **International Institute of Los Angeles (IILA)** with the Contract No. PS60564000B and LIFE Operating Guidelines (collectively, the Guidelines) for the year ended June 30, 2021.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on IILA'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 types of compliance requirements referred to above that could have a direct and material effect on the LIFE occurred. An audit includes examining, on a test basis, evidence about IILA'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 IILA's compliance with the Guidelines.

Opinion

In our opinion, the International Institute of Los Angeles 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.

IILA's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Recommendations. IILA's response was 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 IILA 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 IILA'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 IILA's internal control over compliance.

A deficiency in internal control over compliance 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 in internal control over compliance* 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 in internal control over compliance* 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 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 considered to be material weaknesses. However, we did identify a deficiency in internal control over compliance described in the accompanying Schedule of Findings and Recommendation as Finding No. 2021-002, that we consider to be a significant deficiency.

IILA's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Recommendations. IILA's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.



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 based on the requirements of the Guidelines. Accordingly, this report is not suitable for any other purpose.

Simpson & Simpson

Los Angeles, California
February 7, 2022

**International Institute of Los Angeles
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 IILA.*
- *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 billings, we noted that one (1) out of six (6) taxicab companies selected did not provide proof of general liability insurance and copies of a valid business license. As a result, Green Valley Cab Company did not provide proof of general liability insurance and its business license had expired on October 31, 2020.

Cause

This was an administrative oversight by the taxicab company.

Effect

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

Recommendation

We recommend that IILA 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

The owner of Green Valley Cab Company recently passed away. IILA has been in contact with the owner’s son to obtain the General Liability Insurance. However, as of February 8, 2022, we have not received the General Liability Insurance certificate. Regarding the expired business license, the owner’s son stated that he had applied for the license but due to COVID-19, the process has not been completed.

**International Institute of Los Angeles
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 #PS60564000B 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 nine (9) employees’ payroll expenses allocated to the program, IILA did not maintain timecards for one (1) employee in the sampled month of September 2020 (pay periods ending 9/4/2020 and 9/18/2020) to support the actual hours worked on the Program as shown in the table below.

Position	Pay Period Ending	Unsupported Amount
Accounting Clerk	9/4/2020	\$ 64
Accounting Clerk	9/18/2020	71
	Total	\$ 135

This is a repeat finding from the prior fiscal year.

Cause

The sampled account clerk was placed on administrative leave on 9/21/2020 and terminated on 10/1/2020. This account clerk was responsible for the filing of employees’ timesheets; however due to the termination, both timesheets for this employee were unable to be located.

Effect

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

Recommendation

We recommend that IILA strengthen its controls to ensure that complete records of its costs and expenses relating to the performance of service related to the program are kept and maintained, in accordance with the Agreement and Contract with Metro. We also recommend that IILA repay the unsupported cost of \$135 to Metro.

View of Responsible Officials and Planned Corrective Action

IILA believes this is an isolated case due to the termination of this employee. IILA will return the funds of \$135 to Metro.

**International Institute of Los Angeles
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

Criteria or Specific Requirement

According to Contract #PS60564000B, 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 #PS60564000B, 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.”

**International Institute of Los Angeles
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 that one (1) out of nine (9) employees' payroll expenses allocated and invoiced to the program were not supported by timecards in the months of September 2020 and June 2021. The payroll allocations were not based on actual hours worked or an appropriately supported cost basis by the respective employee per timecard, but based on budget as shown in the table below.

Pay period	Position	Per Invoice	Per Timecard	Over (Under) Allocated
09/04/20	VP of Immigrant & Refugee Services	\$ 3,116	\$ 3,239	\$ (123)
09/18/20	VP of Immigrant & Refugee Services	3,116	3,158	(42)
	Subtotal	6,232	6,397	(165)
06/11/21	VP of Immigrant & Refugee Services	3,808	3,566	242
06/25/21	VP of Immigrant & Refugee Services	3,808	2,726	1,082
	Subtotal	7,616	6,292	1,324
	Total	\$ 13,848	\$ 12,689	\$ 1,159

As a result, payroll expense allocations to the program were unsupported in the sampled months, causing a total overbilling in the amount of \$1,159.

Cause

IILA represented that the issues were due to oversight.

Effect

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

Recommendation

We recommend that IILA 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 IILA repay the unsupported allocation of personnel cost of \$1,159 to Metro.

View of Responsible Officials and Planned Corrective Action

The VP of Immigration & Refugee Services will review timesheets and alert Accounting if there are significant deviations from program allocations. Accounting will make adjusting journal entry to correct the over or under program allocations. IILA will return the funds of \$1,159 to Metro.

**International Institute of Los Angeles
Low Income Fare is Easy (LIFE) Program
Schedule of Findings and Recommendations
Year ended June 30, 2021
(Continued)**

Finding 2021-004 – Incorrect allocation of shared costs

Criteria or Specific Requirement

According to Contract #PS60564000B, 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 related costs invoiced to Metro, we noted that certain shared costs were allocated and invoiced to Metro using incorrect allocation rates. As a result, the total incorrectly allocated non-payroll costs billed to Metro in the two (2) sampled months were an underbilling of \$11.60 as shown in the table below.

Invoice Month	Invoiced Line Item	Total Cost	Allocation		Over (Under) Billed Amount
			Invoiced to Metro	S&S Recal	
Sep 2020	Telephone	\$ 366.72	\$ 130.79	\$ 124.01	\$ 6.78
Jun 2021	Repairs & Maintenance	455.00	175.00	193.38	(18.38)
	Total	<u>\$ 821.72</u>	<u>\$ 305.79</u>	<u>\$ 317.39</u>	<u>\$ (11.60)</u>

Cause

This was an oversight on the part of the accounting by using the incorrect allocation rate for the selected periods.

Effect

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

**International Institute of Los Angeles
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)

Recommendation

We recommend that IILA strengthen its internal control to ensure that shared costs are properly allocated and supported in accordance with IILA’s cost allocation plan.

View of Responsible Officials and Planned Corrective Action

Previously, there were two employees that were inputting and allocating the expenses for the LIFE-Department, which lead to inconsistencies. However as of November 2021 there is only one employee allocating expenses for the LIFE Department and ensuring the most recent updated allocation rate is used to avoid misallocation.

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

Category		Per Trial Balance		Per YTD Billing to Metro		Over/(Under) Billing
Workers Compensation	\$	1,806	\$	2,370	\$	564
Telephone		5,486		5,426		(60)
Printing		4,773		6,638		1,865
Postage		1,121		1,153		32
Subscription		57		-		(57)
Staff Mileage		747		766		19
Total	\$	13,990	\$	16,353	\$	2,363

**International Institute of Los Angeles
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)

Cause

IILA represented that this was due to year-end adjustments and corrections made to their accounting records (i.e., Trial Balance) after the submittal of the invoice to Metro, which caused an overbilling of \$2,363.

Effect

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

Recommendation

We recommend that IILA perform a reconciliation of monthly billing to the trial balance prior to the submission of invoices to Metro to avoid over/(under) billing. We also recommend that IILA repay Metro the over billed amount of \$2,363.

View of Responsible Officials and Planned Corrective Action

IILA will strive to include all the adjustments and corrections in the final invoice submitted to Metro.

**International Institute of Los Angeles
Low Income Fare is Easy (LIFE) Program
Schedule of Prior Year Findings and Recommendations
Year ended June 30, 2020**

Finding 2020-001 – Supporting documentation for invoiced costs were not maintained

Criteria or Specific Requirement

Under Memorandum of Understanding No. MOULIFEIILA2000 dated July 1, 2019, section 4. e entitled Records and Reporting, “Consultant shall keep and maintain full and complete records of its costs and expenses relating to the performance of the service and relating to the Project in accordance with generally accepted accounting principles”.

Additionally, under Contract No. PS60564000B effective January 1, 2020, 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 have noted the following issues:

1. Of the seven (7) employees’ payroll expenses allocated to the program, IILA did not maintain timecards for two (2) employees in the sampled months of October 2019 and June 2020 (pay periods ending 10/4/2019, 10/18/2019, 6/12/2020, and 6/26/2020) to support the actual hours worked on the Program as shown in the table below.

Position	Pay Period Ending	Unsupported Amount
Payroll Technician	10/4/2019	\$ 35
Payroll Technician	10/18/2019	35
Payroll Technician	6/12/2020	35
Payroll Technician	6/26/2020	35
Accounting Clerk	10/4/2019	51
Accounting Clerk	10/18/2019	57
Accounting Clerk	6/12/2020	61
Accounting Clerk	6/26/2020	62
Total		\$ <u>371</u>

2. Of the thirty (30) sampled non-payroll expenses allocated to the program, IILA did not maintain supporting documentation (i.e, invoices, check requisitions and cancelled checks) for three (3) non-payroll expenses in the sampled months of October 2019 and June 2020 as shown in the table below.

Invoice Month	Invoice Line Item	Unsupported Amount
October 2019	Staff Mileage	\$ 20
June 2020	Utilities	167
June 2020	Computer Maintenance	535
Total		\$ <u><u>722</u></u>

**International Institute of Los Angeles
Low Income Fare is Easy (LIFE) Program
Schedule of Prior Year Findings and Recommendations
Year ended June 30, 2020
(Continued)**

Finding 2020-001 – Supporting documentation for invoiced costs were not maintained (continued)

Cause

Timecards, invoices, check requisitions, and cancelled checks were not maintained due to significant staff turnover due to COVID-19.

Effect

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

Recommendation

We recommend that IILA strengthen its controls to ensure that complete records of its costs and expenses relating to the performance of service related to the program are kept and maintained, in accordance with the Agreement and Contract with Metro. We also recommend that IILA repay the unsupported cost of \$1,093 (\$371+\$722) to Metro.

View of Responsible Officials and Planned Corrective Action

Due to COVID-19, the position of accounting clerk was reduced to part time, and the employee resigned in June 2020. In August 2020, an accountant left the employment at IILA. It has been an incredible burden to replace those two staff members, unfortunately leaving our records not in perfect order to be able to meet the requirements of the annual Metro audit. We are not contesting any of the findings.

As of February 8, 2021, a newly hired accounting clerk started working for the accounting department. This staff person's main tasks are to bring the accounting file room up to date and to keep it organized. This also includes maintaining the records for each payment that is charge to the program. It also includes the timesheets for each employee at IILA. We are also in the process of hiring a senior accountant and an accountant.

Status

Not implemented. IILA has not repaid the unsupported cost of \$1,093 to Metro. Also, this is a repeat finding for this year, see Finding 2021-002.

EXIT CONFERENCE

**International Institute of Los Angeles
Low Income Fare is Easy (LIFE) Program
Exit Conference
Year ended June 30, 2021**

An exit conference was held on February 7, 2022 with IILA representatives. Those in attendance were:

Simpson & Simpson LLP representative:

Mark Frishwasser, Audit Senior

IILA representatives:

Susan Hum, Director of Accounting

Lilian Alba, Vice President of Immigrant & Refugee Services

Matters discussed:

Results of the audit disclosed one (1) significant control deficiency and five (5) issues of noncompliance with the Guidelines.

A copy of this report was forwarded to the following IILA representatives for their comments prior to the issuance of the final report:

Susan Hum, Director of Accounting

Lilian Alba, Vice President of Immigrant & Refugee Services