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**Schedule of EZ Transit Pass Passenger Boarding,
Average Fare Used and EZ Pass Program Reimbursements of
Package A EZ Transit Pass Regional Program Participating Agencies**

*Year Ended June 30, 2017
with Report of Independent Auditors*

**Package A EZ Transit Pass Regional Program Participating Agencies
Schedule of EZ Transit Pass Passenger Boarding, Average Fare Used
and EZ Transit Pass Program Reimbursements
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Report of Independent Auditors on Compliance

To the Los Angeles County Metropolitan Transportation Authority and Package A EZ Transit Pass Regional Program Participating Agencies

Report on Compliance

We have audited the compliance of the Antelope Valley Transit Authority (AVTA), City of Carson (Carson Circuit), City of Culver City (Culver City Municipal Bus Lines), City of Gardena (Gardena Municipal Bus Lines), City of Montebello (Montebello Bus Lines), City of Monterey Park (Monterey Park Spirit Bus) and City of Santa Monica (Santa Monica's Big Blue Bus) (collectively, the Package A EZ Transit Pass Regional Program Participating Agencies) with their respective Memorandum of Understanding (MOU) with Los Angeles County Metropolitan Transportation Authority (LACMTA) and the Los Angeles County EZ Transit Pass Regional Program Guidelines for Participating Agencies (collectively referred to as Guidelines) for the year ended June 30, 2017.

Management's Responsibility

Management of each Participating Agencies is responsible for the respective agency's compliance with the Guidelines.

Auditors' Responsibility

Our responsibility is to express an opinion on the Participating Agencies' compliance based on our audits. We conducted our audit of compliance in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States and the Guidelines. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of requirements referred to above that could have a direct and material effect on the EZ Transit Pass Regional Program occurred. An audit includes examining, on a test basis, evidence about the Participating Agencies' 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 of the Participating Agencies' compliance with the Guidelines.



Opinion

In our opinion, the Package A EZ Transit Pass Regional Program Participating Agencies complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the Guidelines, which are described in the accompanying schedule of findings, recommendations and management responses as Findings #2017-001 through #2017-004. Our opinion on compliance is not modified with respect to these matters.

The responses by the respective Package A EZ Transit Pass Regional Program Participating Agencies to the noncompliance findings identified in our audit are described in the accompanying schedule of findings, recommendations and management responses. The 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 the respective Package A EZ Transit Pass Regional Program Participating Agencies 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 the respective Participating Agencies' 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 the respective Participating Agencies' 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 with the requirements, such that there is a reasonable possibility that 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 with the requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Report on Schedules of EZ Transit Pass Passenger Boarding, Average Fare Used and EZ Transit Pass Program Reimbursements

We have audited the compliance of the Package A EZ Transit Pass Regional Program Participating Agencies with the Guidelines for the year ended June 30, 2017. Our audit was conducted 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. The Schedules of EZ Transit Pass Passenger Boarding, Average Fare Used, and EZ Transit Pass Program Reimbursements (Schedules) are presented for purposes of additional analysis as required by the Guidelines.

The Schedules of EZ Transit Pass Passenger Boarding, Average Fare Used and EZ Transit Pass Program Reimbursements are the responsibility of management. Such information has been subjected to the auditing procedures applied to the audit of compliance with the Guidelines, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the accompanying Schedules present fairly the Package A EZ Transit Pass Regional Program Participating Agencies' Passenger Boarding, Average Fare Used, and EZ Transit Pass Program Reimbursements, in all material respects for the year ended June 30, 2017 in accordance with the Guidelines.

**Los Angeles, California
December 15, 2017**

**EZ Transit Pass Regional Program
Schedule of EZ Transit Pass Passenger Boarding, Average Fare Used
and EZ Transit Pass Program Reimbursements – Antelope Valley Transit Authority
(AVTA)
Year ended June 30, 2017**

		<u>Audited</u>	<u>Billed</u>	<u>Over (Under) Billing</u>
Passenger Boardings	[a]			
EZ Transit Pass		92,268	92,268	-
Metrolink Pass		<u>50,053</u>	<u>50,053</u>	<u>-</u>
Average Fare Billed	[b]			
EZ Transit Pass		\$ 3.26	\$ 3.26	-
Metrolink Pass		<u>3.26</u>	<u>3.26</u>	<u>-</u>
EZ Transit Pass Reimbursement	[a x b]			
EZ Transit Pass		\$ 300,794	\$ 300,794	-
Metrolink Pass		<u>163,173</u>	<u>163,173</u>	<u>-</u>
Total		<u>\$ 463,967</u>	<u>\$ 463,967</u>	<u>\$ -</u>

EZ Transit Pass Regional Program
Schedule of EZ Transit Pass Passenger Boarding, Average Fare Used
and EZ Transit Pass Program Reimbursements – City of Carson
(Carson Circuit)
Year ended June 30, 2017

		<u>Audited</u>	<u>Billed</u>	<u>Over (Under)</u> <u>Billing</u>
Passenger Boardings	[a]			
EZ Transit Pass		<u>7,885</u>	<u>7,885</u>	<u>-</u>
Average Fare Billed	[b]			
EZ Transit Pass		\$ <u>0.97</u>	\$ <u>0.97</u>	\$ <u>-</u>
EZ Transit Pass Reimbursement	[a x b]			
EZ Transit Pass		<u>\$ 7,648</u>	<u>\$ 7,648</u>	<u>\$ -</u>

**EZ Transit Pass Regional Program
Schedule of EZ Transit Pass Passenger Boarding, Average Fare Used
and EZ Transit Pass Program Reimbursements – City of Culver City
(Culver City Municipal Bus Line)
Year ended June 30, 2017**

		<u>Audited</u>	<u>Billed</u>	<u>Over (Under) Billing</u>
Passenger Boardings	[a]			
EZ Transit Pass		<u>289,776</u>	<u>291,264</u>	<u>1,488</u>
Average Fare Billed	[b]			
EZ Transit Pass		\$ <u>0.78</u>	\$ <u>0.79</u>	\$ <u>0.01</u>
EZ Transit Pass Reimbursement	[a x b]			
EZ Transit Pass		<u>\$ 226,025</u>	<u>\$ 230,099</u>	<u>\$ 4,074</u>

Note: Refer to Schedule of Findings, Recommendations and Management Responses.

**EZ Transit Pass Regional Program
Schedule of EZ Transit Pass Passenger Boarding, Average Fare Used
and EZ Transit Pass Program Reimbursements – City of Gardena
(Gardena Municipal Bus Lines)
Year ended June 30, 2017**

	<u>Audited</u>	<u>Billed</u>	<u>Over (Under) Billing</u>
Passenger Boardings [a]			
EZ Transit Pass	114,819	114,819	-
Metrolink EZ Pass	<u>2,101</u>	<u>2,101</u>	<u>-</u>
Average Fare Billed [b]			
EZ Transit Pass	\$ 0.86	\$ 0.86	\$ -
Metrolink EZ Pass	<u>0.86</u>	<u>0.86</u>	<u>-</u>
EZ Transit Pass Reimbursement [a x b]			
EZ Transit Pass	\$ 98,744	\$ 98,744	\$ -
Metrolink EZ Pass	<u>1,807</u>	<u>1,807</u>	<u>-</u>
Total	<u>\$ 100,551</u>	<u>\$ 100,551</u>	<u>\$ -</u>

**EZ Transit Pass Regional Program
Schedule of EZ Transit Pass Passenger Boarding, Average Fare Used
and EZ Transit Pass Program Reimbursements – City of Montebello
(Montebello Bus Lines)
Year ended June 30, 2017**

	<u>Audited</u>	<u>Billed</u>	<u>Over (Under) Billing</u>
Passenger Boardings [a]			
EZ Transit Pass	<u>254,241</u>	<u>249,745</u>	<u>(4,496)</u>
Metrolink EZ Pass	<u>78,502</u>	<u>78,502</u>	<u>-</u>
Average Fare Billed [b]			
EZ Transit Pass	\$ <u>0.76</u>	\$ <u>0.69</u>	\$ <u>(0.07)</u>
Metrolink EZ Pass	<u>1.10</u>	<u>1.10</u>	<u>-</u>
EZ Transit Pass Reimbursement [a x b]			
EZ Transit Pass	\$ <u>193,223</u>	\$ <u>171,395</u>	\$ <u>(21,828)</u>
Metrolink EZ Pass	<u>86,352</u>	<u>86,352</u>	<u>-</u>
Total	\$ <u><u>279,575</u></u>	\$ <u><u>257,747</u></u>	\$ <u><u>(21,828)</u></u>

Note: Refer to Schedule of Findings, Recommendations and Management Responses.

**EZ Transit Pass Regional Program
Schedule of EZ Transit Pass Passenger Boarding, Average Fare Used
and EZ Transit Pass Program Reimbursements – City of Monterey Park
(Monterey Park Spirit Bus)
Year ended June 30, 2017**

		<u>Audited</u>	<u>Billed</u>	<u>Over (Under) Billing</u>
Passenger Boardings	[a]			
EZ Transit Pass		3,472	3,472	-
Metrolink EZ Pass		<u>3,087</u>	<u>3,087</u>	<u>-</u>
Average Fare Billed	[b]			
EZ Transit Pass		\$ 0.16	\$ 0.16	-
Metrolink EZ Pass		<u>0.50</u>	<u>0.50</u>	<u>-</u>
EZ Transit Pass Reimbursement	[a x b]			
EZ Transit Pass		\$ 556	\$ 556	-
Metrolink EZ Pass		<u>1,544</u>	<u>1,544</u>	<u>-</u>
Total		<u>\$ 2,100</u>	<u>\$ 2,100</u>	<u>\$ -</u>

**EZ Transit Pass Regional Program
Schedule of EZ Transit Pass Passenger Boarding, Average Fare Used
and EZ Transit Pass Program Reimbursements – City of Santa Monica
(Santa Monica’s Big Blue Bus)
Year ended June 30, 2017**

	Audited	Billed	Over (Under) Billing
Passenger Boardings [a]			
EZ Transit Pass - Adult Regular Routes	520,110	520,110	-
EZ Transit Pass - Adult Route 10	33,200	33,200	-
EZ Transit Pass - Senior/Disabled - Regular Routes	170,059	170,059	-
EZ Transit Pass - Senior/Disabled - Route 10	10,857	10,857	-
Average Fare Billed [b]			
EZ Transit Pass - Adult Regular Routes	\$ 1.03	\$ 1.03	-
EZ Transit Pass - Adult Route 10	2.07	2.07	-
EZ Transit Pass - Senior/Disabled - Regular Routes	0.41	0.41	-
EZ Transit Pass - Senior/Disabled - Route 10	0.83	0.83	-
EZ Transit Pass Reimbursement [a x b]			
EZ Transit Pass - Adult Regular Routes	\$ 535,713	\$ 535,713	-
EZ Transit Pass - Adult Route 10	68,724	68,724	-
EZ Transit Pass - Senior/Disabled - Regular Routes	69,724	69,724	-
EZ Transit Pass - Senior/Disabled - Route 10	9,011	9,011	-
Add: Catchup invoicing for fiscal year 2016 rate change	65,782	65,782	-
Less: Transit Access Pass (TAP) Sales	(205,999)	(205,999)	-
Total	\$ 542,955	\$ 542,955	-

Note: Refer to Schedule of Findings, Recommendations and Management Responses.

SCHEDULE OF FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

**EZ Transit Pass Regional Program
 Schedule of Findings, Recommendations and Management Responses
 City of Culver City (Culver City Municipal Bus Line)
 Year ended June 30, 2017**

Finding #2017-001: City of Culver City (Culver City Municipal Bus Line)

Criteria	Section D (1) of the Los Angeles County EZ Transit Pass Regional Program Guidelines for Participating Agencies (Guidelines) states that, "Operator boardings shall be reimbursed at the higher of average fare or average cash fare".
Condition	The participating agency invoices LACMTA for each month utilizing the 15 th day of the month as the month end. At the end of the year, the participating agency performs a cutoff calculation for the first fifteen days of July of the fiscal year and the last fifteen days of June of the current year to perform reconciliation, and depending upon the results of the reconciliation, either invoice LACMTA for any under-billing, or make a payment for any over-billing. For fiscal year 2017, the reconciliation resulted in an overbilling for 1,488 boardings for \$4,074. The participating agency did not notify LACMTA or reimburse LACMTA for over billings received.
Cause	There were two elements that contributed to the overbilling. 1) More than half of the overbilled amount is accounted for through the recalculation of the average fare after the end of the fiscal year, from the originally billed rate of \$0.79 down to \$0.78. 2) The second contribution to the overbilling is a revision to the half-month billing calculations for July and June. The second half of June 2017 (6/16 to 6/30) is actually a part of the July 2017 billing cycle, which was not received from LACMTA until August. During this EZ Pass audit, we were informed that a complicated split-month calculation for July and June is not necessary. Thus, the actual boardings for the months of July and June have been adjusted, and the subsequent calculation of fare has been accounted for in the overbilling value.
Effect	The participating agency overbilled LACMTA for \$4,074.
Recommendation	We recommend for the participating agency to ensure that its cut-off reconciliations are prepared timely and any corresponding under or over payments are addressed following the receipt of final boarding numbers in July of the following year for June 30 year end.

**EZ Transit Pass Regional Program
Schedule of Findings, Recommendations and Management Responses
City of Culver City (Culver City Municipal Bus Line)
Year ended June 30, 2017**

Finding #2017-001: City of Culver City (Culver City Municipal Bus Line) (Continued)

Management's Response	On a going forward basis, we will calculate the boardings based on their report value each month and will no longer perform the complicated calculation for the split months of July and June. We will also submit any adjusted billing based on average fare recalculation prior to the arrival of the LACMTA EZ Pass auditors to ensure inclusion in the FYE invoicing and payments.
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**EZ Transit Pass Regional Program
Schedule of Findings, Recommendations and Questioned Costs
City of Montebello (Montebello Bus Lines)
Year ended June 30, 2017**

Finding #2017-002: City of Montebello (Montebello Bus Line)

Criteria	Section D (1) of the Los Angeles County EZ Transit Pass Regional Program Guidelines for Participating Agencies (Guidelines) states that, "Operator boardings shall be reimbursed at the higher of average fare or average cash fare".
Condition	The participating agency did not consider all the components in the formula as stated in the Guidelines to properly compute the average fare. Montebello Bus Lines (MBL) did not exclude the fare revenue and ridership for students; instead MBL subtracted all unclassified revenue for all fare types from the total monthly collected fare revenue. This yields a much lower average fare ratio for the participating agency.
Cause	Since the EZ Transit Pass Regional program started in July 2007, MBL has utilized a calculation methodology for average fare which was ultra-conservative. MBL excluded its unclassified revenue (all fare types) from the total monthly collected fare revenue.
Effect	The participating agency miscalculated its average fare which resulted in under billing of \$21,828.
Recommendation	We recommend for the participating agency to revisit and revise the average fare calculation to reflect the correct amount of reimbursement from LACMTA.
Management's Response	The calculation methodology used by MBL was accepted by LACMTA and has been in use since the inception of the program. The major reason for applying this method is that it provided MBL a financial cushion and a very conservative average fare calculating ratio which meant MBL would only worry about the possibility of under billing and never over billing. There are many factors for this conservative approach as the data becomes available on the month basis, MBL submits the most accurate data at that time. Per the EZ Pass agreement Attachment B, all agencies may utilize the year end reconciliation to capture any and all unclaimed differences and submit additional invoice to LACMTA. This is performed through the audit findings every year.

**EZ Transit Pass Regional Program
Schedule of Findings, Recommendations and Management Responses
City of Santa Monica (Santa Monica's Big Blue Bus)
Year ended June 30, 2017**

Finding #2017-003: City of Santa Monica (Santa Monica's Big Blue Bus)

Criteria	Section C of the Los Angeles County EZ Transit Pass Regional Program Guidelines for Participating Agencies allow for participating agencies to utilize either (1) actual boardings recorded in farebox data, or (2) boardings based upon current year survey data only.
Condition	The Santa Monica's Big Blue Bus (BBB) has a separate rate of reimbursement between its Express Route 10 and other routes. BBB allocates 6% of total fares to Express Route 10. This percentage is based upon ridership data from June 2015 and prior periods instead of tracking current actual passenger boardings separately between routes.
Cause	BBB utilizes data from periods prior to fiscal year 2017 to calculate its ridership allocation for Express Route 10. Ridership data for Express Route 10 was not accumulated and utilized towards the calculation for fiscal year 2017.
Effect	Fare reimbursements billed and earned in FY 2017 may differ from actual amounts due.
Recommendation	We recommend for the participating agency to utilize current data to ensure that data utilized towards billing calculation is appropriate and reimbursements are calculated using actual ridership.
Management's Response	BBB commissioned the Maroon Society to conduct a customer satisfaction survey in 2017. In that survey, the transfer or deflection rate was estimated at 13%. This percentage was also used to update the EZ Pass fare reimbursement rates. BBB Staff updated its EZ Pass reimbursement rate calculation using actual ridership as of June 30, 2017 and survey data conducted by Maroon Society in June 2017 related to the transfer or deflection rate. BBB's actual ridership data as of June 20, 2017 showed Route 10 ridership to represent 2.1% while all other routes represent 97.9%. These updated EZ Pass rates will be utilized for billings in fiscal year 2018.

**EZ Transit Pass Regional Program
 Schedule of Findings, Recommendations and Management Responses
 City of Santa Monica (Santa Monica's Big Blue Bus)
 Year ended June 30, 2017**

Finding #2017-004: City of Santa Monica (Santa Monica's Big Blue Bus)

Criteria	Section D (2) of the Los Angeles County EZ Transit Pass Regional Program Guidelines requires that Data used to calculate the annual average fare should be for the same fiscal year that reimbursement is requested.
Condition	In order to arrive at its average fares, BBB utilizes transfer rates from a Line by Line Survey for fiscal year 2010.
Cause	BBB utilizes the 2010 Line by Line Survey to arrive at its transfer rates, since similar surveys in subsequent years were not as comprehensive. The last survey conducted was for fiscal year 2013, and there was none conducted for fiscal year 2017.
Effect	Fare reimbursements billed and earned in FY 2017 may differ from actual amounts due.
Recommendation	We recommend for the participating agency to utilize current data to ensure that data utilized towards billing calculation is appropriate.
Management's Response	BBB commissioned the Maroon Society to conduct a customer satisfaction survey in 2017. In that survey, the transfer or deflection rate was estimated at 13%. This percentage was also used to update the EZ Pass fare reimbursement rates. BBB Staff updated its EZ Pass reimbursement rate calculation using actual ridership as of June 30, 2017 and survey data conducted by Maroon Society in June 2017 related to the transfer or deflection rate. BBB's actual ridership data as of June 20, 2017 showed Route 10 ridership to represent 2.1% while all other routes represent 97.9%. These updated EZ Pass rates will be utilized for billings in fiscal year 2018.



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