

FAME Assistance Corporation

**Report on the Audit of Immediate Needs Transportation Program (INTP)
by FAME Assistance Corporation under
its Memorandum of Understanding No. MOU. P00FAC8
with the Los Angeles County Metropolitan Transportation Authority**

**As of and for the Years Ended June 30, 2018 and 2017
with Independent Auditor's Report**



Simpson & Simpson, LLP
Certified Public Accountants

**FAME Assistance Corporation
Immediate Needs Transportation Program (INTP)
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FINANCIAL SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Independent Auditor's Report

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 **Immediate Needs Transportation Program (the Program) by the FAME Assistance Corporation (FAC)**, a not-for-profit organization, funded by the Los Angeles County Metropolitan Transportation Authority (LACMTA), which comprise the statement of financial position as of June 30, 2018 and 2017, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Immediate Needs Transportation Program by FAME Assistance Corporation, Inc. as of June 30, 2018 and 2017, 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 Immediate Needs Transportation Program, and do not purport to, and do not present fairly FAC's financial position as of June 30, 2018 and 2017, 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 schedules of taxi companies with payment data and outstanding payables to taxi companies (Schedules) are 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 15, 2019 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 15, 2019
Los Angeles, California

**FAME Assistance Corporation
Immediate Needs Transportation Program (INTP)
Statements of Financial Position**

		June 30	
		2018	2017
ASSETS			
Due from LACMTA	\$	68,570	\$ 80,556
Total assets	\$	68,570	\$ 80,556
 LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	\$	30,547	\$ 61,065
Due to FAC (Note 4)		38,023	19,491
Total liabilities		68,570	80,556
Net assets		-	-
Total liabilities and net assets	\$	68,570	\$ 80,556

The accompanying notes are an integral part of the financial statements

FAME Assistance Corporation
Immediate Needs Transportation Program (INTP)
Statements of Activities

	Years Ended June 30	
	2018	2017
REVENUES		
Grant revenue	\$ 2,273,221	\$ 2,312,993
Contribution from FAC	606	11,421
Total revenues	2,273,827	2,324,414
EXPENSES		
Program expenses		
Tokens	1,412,250	1,412,250
Taxi voucher	559,903	574,782
Printing	24,554	20,006
Total program expenses	1,996,707	2,007,038
Administrative expenses		
Salaries and Wages	176,558	217,299
Employee Benefits	37,177	37,716
Facilities Cost	16,211	16,168
Payroll Taxes	14,731	18,355
Allocated General and Administrative Costs	10,957	11,058
Telephone	10,382	8,850
Purchased/Leased Equipment	4,611	454
Printing and Postage	2,870	5,003
Travel, Conferences and Dues	1,276	722
Consultants and Purchased Services	1,269	344
Insurance	678	659
Supplies	224	699
Repairs and Maintenance	153	30
Security	23	19
Total administrative expenses	277,120	317,376
Total expenses	2,273,827	2,324,414
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
Immediate Needs Transportation Program (INTP)
Statements of Cash Flows**

	Years ended June 30	
	2018	2017
Cash from operating activities		
Change in net assets	\$ -	\$ -
Adjustment to reconcile change in net asset to net cash provided by (used in) operating activities: change in operating assets and liabilities		
Due from LACMTA	11,986	79,472
Accounts payable	(30,518)	(43,263)
Net cash (used in) provided by operating activities	(18,532)	36,209
 Cash from financing activities		
Due from FAC	-	-
Due to FAC	18,532	(36,209)
Net cash provided by (used in) financing activities	18,532	(36,209)
 Change in cash		
 Cash		
Beginning of year	-	-
End of year	\$ -	\$ -

The accompanying notes are an integral part of the financial statements

FAME Assistance Corporation
Immediate Needs Transportation Program (INTP)
Notes to Financial Statements
June 30, 2018 and 2017

NOTE 1 – BACKGROUND

The Immediate Needs Transportation Program (INTP) was created in 1992 upon a cooperative partnership with FAME Assistance Corporation (FAC) and the International Institute of Los Angeles (IILA). The purpose of the INTP is to provide supplemental transportation assistance to meet the basic needs of individuals in the Los Angeles County with limited resources. The Los Angeles County Metropolitan Transportation Authority (LACMTA) provides funding for this program under separate MOUs by FAC and IILA with LACMTA.

FAC and IILA make the service available throughout the Los Angeles County through a wide range of not-for-profit and government agencies that distribute taxi coupons and tokens/scripts to their respective clients who meet certain eligibility requirements.

INTP provides three types of transportation subsidies: transit tokens/scripts, \$11 taxi coupons and variable value vouchers.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Accounts are maintained using the accrual basis of accounting for financial reporting purposes, which recognize income in the period earned and expenses when incurred, regardless of the timing of payments.

Revenue Recognition

Revenue is recognized on an accrual basis as earned according to the provisions of its contract with LACMTA. Under the contract, LACMTA will reimburse FAC for all costs incurred by FAC in the performance of the program up to a certain amount annually approved by LACMTA (see Note 5).

NOTE 3 – REPORTING ENTITY

The financial statements present only the financial position and results of operations of the INTP, and do not purport to, and do not present fairly the FAC's financial position as of June 30, 2018 and 2017, and the changes in its financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

NOTE 4 – DUE TO FAC

FAC advances money for the operating expenses of the INTP, except for amounts payable to the taxi companies. Monthly, FAC sends an invoice to LACMTA to seek reimbursement for expenses paid by FAC for operating the INTP. At June 30, 2018 and 2017, the amount due to FAC were \$38,023 and \$19,491, respectively.

FAME Assistance Corporation
Immediate Needs Transportation Program (INTP)
Notes to Financial Statements
June 30, 2018 and 2017

NOTE 5 – ALLOCATION FOR THE YEAR

Per the Amendment No. 3 to Memorandum of Understanding dated July 1, 2017, for Fiscal Year 2017-2018, LACMTA will reimburse FAC in an amount not to exceed two million five hundred thousand dollars (\$2,500,000) for all cost incurred in the performance of this Program during Fiscal Year 2017-2018.

In addition, LACMTA approved a three hundred twenty-five thousand-dollar (\$325,000) budget for the administrative expenses of INTP. Any expenditures exceeding the total contract amount for any fiscal year shall be the sole responsibility of FAC.

Expenses presented in the Statements of Activities represent reimbursements received from LACMTA of the total expenses incurred by FAC on the INTP.

NOTE 6 – INTP COMPLIANCE REQUIREMENTS

The INTP is governed by the provisions of the Memorandum of Understanding between LACMTA and FAC, and INTP Operating Guidelines (collectively, the Guidelines). The Guidelines provide, among other requirements, that transportation subsidies be distributed to Los Angeles County residents living below poverty level and who will use the subsidy for trips pertaining to job search, 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 – SUBSEQUENT EVENTS

FAC has evaluated events through February 15, 2019, the date the financial statements were available to be issued, and concluded no events have occurred that require disclosure or adjustment to the financial statements.

**FAME Assistance Corporation
Immediate Needs Transportation Program (INTP)
Supplementary Information
Schedule of Taxi Companies with Payment Data
Year ended June 30, 2018**

Taxi Company	TAXI COUPONS	Variable Value Vouchers	Total
Administrative Services Co-op.	\$ 87,766	\$ 257,530	\$ 345,296
All Yellow Taxi Inc	858	22	880
Bell Cab	118,725	3,698	122,423
Best Taxi	154	53	207
Beverly Hills	5,759	1,083	6,842
Blue & Yellow Taxi	2,387	313	2,700
G&S Transit	22	1,067	1,089
Gorgee Entp.Inc	44	299	343
Green Valley	3,475	5,768	9,243
Independent Taxi	7,198	22,226	29,424
JR Taxi	2,469	593	3,062
LA City Cab	148	754	902
Tri-city Transp. Sun Valley	110	949	1,059
Tri-city Transp. El monte	11	93	104
United Independent Taxi	18,871	17,168	36,039
United Taxi of the S.W.	222	68	290
Total	\$ 248,219	\$ 311,684	\$ 559,903

See accompanying independent auditor's report

**FAME Assistance Corporation
Immediate Needs Transportation Program (INTP)
Supplementary Information
Schedule of Outstanding Payables to Taxi Companies
Year ended June 30, 2018**

<u>Taxi Company</u>	<u>0-30 DAYS</u>	<u>TOTAL</u>
Administrative Services Co-op.	\$ 25,175	\$ 25,175
All Yellow Taxi Inc	88	88
Bell Cab	656	656
Best Taxi	55	55
Beverly Hills	517	517
Blue & Yellow Taxi	238	238
G&S Transit	102	102
Green Valley	947	947
Independent Taxi	1,879	1,879
JR Taxi	243	243
LA City Cab	65	65
Tri-city Transp. Sun Valley	72	72
United Independent Taxi	477	477
United Independent Taxi S. W	33	33
Total	\$ <u>30,547</u>	\$ <u>30,547</u>

See accompanying independent auditor's report



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

U.S. BANK TOWER
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LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonllp.com

**Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

Report on Compliance

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 **Immediate Needs Transportation Program (INTP) (the Program) by the FAME Assistance Corporation, Inc. (FAC)**, a not-for-profit organization, funded by the Los Angeles County Metropolitan Transportation Authority (LACMTA), which comprise the statement of financial position as of June 30, 2018, 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 15, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered FAC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FAC's internal control. Accordingly, we do not express an opinion on the effectiveness of FAC's internal control.

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



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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Simpson & Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California
February 15, 2019

COMPLIANCE SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Independent Auditor's Report on Compliance

To FAME Assistance Corporation, Inc. and the
Los Angeles County Metropolitan Transportation Authority
Report on Compliance

We have audited the compliance of the **FAME Assistance Corporation, Inc. (FAC)** with the Memorandum of Understanding No. MOU. P000FAC8 and the Immediate Needs Transportation Program (INTP) Operating Guidelines (collectively, the Guidelines) for the year ended June 30, 2018.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on FAC's compliance based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Guidelines. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the Guidelines referred to above that could have a direct and material effect on the INTP 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, Inc. complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2018.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the Guidelines, which are required to be reported in accordance with the Guidelines and which are described as Finding Nos. 2018-001, 2018-002, 2018-003, and 2018-004 in the accompanying Schedule of Findings and Recommendations. 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 FAME Assistance Corporation, Inc. is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered FAC's internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of FAC's internal control over compliance.

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

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

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

A handwritten signature in black ink that reads "Simpson & Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California
February 15, 2019

**FAME Assistance Corporation
Immediate Needs Transportation Program (INTP)
Schedule of Findings and Recommendations
Year ended June 30, 2018**

Finding 2018-001 – Reimbursement of Fare Media

Criteria or Specific Requirement

Under the Immediate Needs Transportation Program (INTP) Operating Guidelines, taxi cab companies are to invoice FAC for no more than the smart meter amount of the trip, with the maximum amount invoiced shall not exceed \$11.00 per coupon.

Condition

During our agency site visits, we noted the following conditions where the taxi coupons submitted for the reimbursement by taxi companies exceeded \$11.00 per coupon:

- Out of two hundred ninety-nine (299) taxi coupons submitted to FAC for the month of July 2017 from United independent Taxi, three (3) taxi coupons were overbilled by \$25.25.
- Out of fifty-eight (58) taxi coupons submitted to FAC for the month of September 2017 from Beverly Hills Cab, one (1) taxi coupon was overbilled by \$0.55.
- Out of eight hundred seventy-six (876) taxi coupons submitted to FAC for the month of January 2018 from Bell Cab, one (1) taxi coupon was overbilled by \$2.75.

The total amount over-billed amounted to \$28.55 (25.25+0.55+2.75).

Cause

FAC did not perform thorough additional review on invoices received from taxi cab companies to ensure coupons are billed for the smart meter amount of the trip, with the maximum amount not to exceed \$11.00 per coupon.

Effect

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

Recommendation

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

View of Responsible Officials and Planned Corrective Action

FAME Assistance Corporation has implemented a monthly auditing process to avoid payments of invoices that exceed the maximum billable amount.

**FAME Assistance Corporation
Immediate Needs Transportation Program (INTP)
Schedule of Findings and Recommendations
Year ended June 30, 2018**

Finding 2018-002 – Distribution of Transportation Subsidies

Criteria or Specific Requirement

Under the Immediate Needs Transportation Program (INTP) Operating Guidelines, distributing agencies must ensure that the “agency name”, “name of recipient” and “signature of recipient” sections of the coupons/vouchers are completed before giving them to the recipients. No coupons/vouchers are to leave an agency without these three sections completed. Also, each agency must ensure that they notify the recipient prior to issuing them the voucher, that they must sign the verification of signature upon entering the cab. Cab drivers should not honor coupons/vouchers without names and signatures. At the completion of the trip, recipients sign coupons/vouchers a second time in the space labeled "verification signature."

Condition

During our review of the monthly invoices taxi cab companies submitted to FAC, it was noted that out of thirty-two (32) Variable Value Vouchers (VVVs) submitted to FAC for the month of July 2017 from United Independent Taxi, one (1) VVV was missing for the “verification of signature” from the recipient/passenger.

Also, out of eight hundred seventy-six (876) taxi coupons submitted to FAC for the month of January 2018 from Bell Cab, two (2) taxi coupons are missing the “verification signature” from the recipients/passengers.

Cause

FAC did not perform thorough additional review on invoices received from taxi cab companies to ensure required sections of the coupons/vouchers are appropriately completed.

Effect

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

Recommendation

We recommend that IILA send a reminder to the distributing agencies regarding strict implementation of the above requirement to be in compliance with INTP Operating Guideline.

View of Responsible Officials and Planned Corrective Action

A memo will be sent to FAC's partnering agencies to address the proper way to complete the coupons/vouchers and a notification to remind their clients/passengers to sign the coupon/voucher.

**FAME Assistance Corporation
Immediate Needs Transportation Program (INTP)
Schedule of Findings and Recommendations
Year ended June 30, 2018**

Finding 2018-003 – Allocation of personnel costs

Criteria or Specific Requirement

Federal Regulation CFR 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, Section 200.430 Compensation-personal services states:

- (i) *Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:*
- iv. *Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;*
 - v. *Be incorporated into the official records of the non-Federal entity;*
 - vi. *Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities;*
 - vii. *Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;*
 - viii. *Comply with the established accounting policies and practices of the non-Federal entity;*
 - ix. *[Reserved]*
 - x. *Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.*

Condition

During our review of the monthly invoices submitted to LACMTA, it was noted that all of the three (3) employees charged to the Program were based on budget estimates for the month of December 2017. Corrective procedures were implemented in March 2018 after the issuance of the FY2017 audit report. However, for the employees charged to the Program for the month of June 2018, only half of the employees' salary expenses allocated to the program were supported by timecards to support the actual hours charged to the Program. Additionally, four (4) out of eight (8) employees charged to the Program were still based on budget estimates. FAC represented that starting March 2018, non-administrative employees tracked actual hours worked on timecards. However, FAC did not track administrative employees' actual hours charged to the Program in the current fiscal year. The total unsupported payroll expenses that were tested are \$7,944.

However, repayment of the unsupported payroll expenses is not required as FAC's total incurred administrative costs on the program that were not allocated/reported exceeded the total contract administrative amount of \$325,000 in the current fiscal year even after subtracting the unsupported payroll expenses that were mentioned in the previous paragraph (\$7,944).

**FAME Assistance Corporation
Immediate Needs Transportation Program (INTP)
Schedule of Findings and Recommendations
Year ended June 30, 2018**

Finding 2018-003 – Allocation of personnel costs (Continued)

Cause

This was an oversight on the part of the previous management that was replaced in November 2017 and the current management was unable to provide sufficient and appropriate justification to the allocation plan.

Effect

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

Recommendation

We recommend that FAC implement policies and procedures to allocate personnel costs based on actual hours worked and make the necessary adjustment to the general ledger to correct the personnel costs for the current fiscal year to reflect actual hours worked.

View of Responsible Officials and Planned Corrective Action

FAC Assistance Corporation is researching options such as Pro System or available features within the ADP time system to track actual time spent on all programs for all staff.

Finding 2018-004 – Allocation of shared costs

Criteria or Specific Requirement

2 CFR Part 230 (Formerly OMB Circular A-122), Appendix A, Cost Principles for Non-Profit Organizations states:

“Subparagraph A. Basic Considerations 4. Allocable costs. a. A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:

- 1) Is incurred specifically for the award.*
- 2) Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received, or*
- 3) Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown”.*

Part C, Section 2.0 Allocable Expenses of the Auditor-Controller Contract Accounting and Administration Handbook states: *“The Contractor shall maintain documentation for allocated expenses (e.g. timecards, time summaries, square footage measurements, number of employees, etc.)”.*

**FAME Assistance Corporation
Immediate Needs Transportation Program (INTP)
Schedule of Findings and Recommendations
Year ended June 30, 2018**

Finding 2018-004 – Allocation of shared costs (Continued)

Condition

During our review of non -personnel expenses allocated to the program, it was noted that Payroll Service, Management Fees, Information Technology, Office Supplies, Office Expenses, Postage and Delivery, Bank Charges, and Telephone expenses billed for the months of December 2017 and June 2018 were allocated based on unsupported payroll allocation discussed in Finding #2018-003. The total unsupported non-payroll expenses that were tested are \$5,442.

However, repayment of the unsupported non-payroll expenses is not required as FAC's total incurred administrative costs on the program that were not allocated/reported exceeded the total contract administrative amount of \$325,000 in the current fiscal year even after subtracting the unsupported payroll expenses that were mentioned in the previous paragraph (\$5,442).

Cause

This was an oversight on the part of the previous management that was replaced in November 2017 and the current management was unable to provide sufficient and appropriate justification to the allocation plan.

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 to the Cost Allocation Plan. We also recommend that the Cost Allocation Plan be formally updated.

View of Responsible Officials and Planned Corrective Action

FAC will revisit and update its cost allocation plan taking into consideration the personnel cost where personnel costs are basis for percentages billed to all programs across the board to ensure that each pays their fair share of expenses.

**FAME Assistance Corporation
Immediate Needs Transportation Program (INTP)
Schedule of Prior Year Findings and Recommendations
Year ended June 30, 2018**

Finding 2017-001 – Inventory

Criteria or Specific Requirement

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

Condition

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

- During our physical count of coupons at South Central Prevention Coalition on February 13, 2018, we counted four hundred twenty (420) tokens on hand. According to our calculation using its monthly reports and user logs, the inventory balance should be three hundred sixty-five (365) coupons, which leads to a variance of fifty-five (55) coupons.

Cause

This was an oversight on the part of the agencies.

Effect

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

Recommendation

To ensure that tokens are fully accounted for at any point in time, we recommend that:

- Each agency keeps track of coupons distributed in first and second half of the year separately.
- Each agency enhances the accuracy of its inventory count to maintain an accurate number on its books and on its reports to FAC.

View of Responsible Officials and Planned Corrective Action

FAC makes every effort to ensure the accuracy of inventory count with its partnering agencies. Last fiscal year, FAC implemented a new process instructing agencies to perform a monthly inventory count when submitting the monthly logs to FAC. However, the current audit year reflects findings of variances and coupon shortages with the partnering agencies. The sample audit testing of inventory concluded that the Agency had a variance of 55 out of 710 tokens. FAC realizes the opportunity for discrepancies as the distribution process is handled manually, which can increase the possibility of human error.

**FAME Assistance Corporation
Immediate Needs Transportation Program (INTP)
Schedule of Prior Year Findings and Recommendations
Year ended June 30, 2018**

Finding 2017-001 – Inventory (Continued)

View of Responsible Officials and Planned Corrective Action (Continued)

As a corrective measure to the current audit finding, FAC will continue to implement the current monthly inventory form and add an additional process to include having the Manager at each distribution site sign-off with signature and date on the inventory count. Additionally, FAC staff will conduct random site visits at partnering agencies to perform an inventory check prior to the six-month reconciliation period. Lastly, LACMTA is moving to an electronic coupon loading method which will remove the human error factor of coupon inventory discrepancies.

Status

Implemented, FAC request distribution site manager sign-off at on inventory count.

Finding 2017-002 – Allocation of personnel costs

Criteria or Specific Requirement

Federal Regulation CFR 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, Section 200.430 Compensation-personal services states:

- (ii) *Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:*
- xi. Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;*
 - xii. Be incorporated into the official records of the non-Federal entity;*
 - xiii. Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities;*
 - xiv. Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;*
 - xv. Comply with the established accounting policies and practices of the non-Federal entity;*
 - xvi. [Reserved]*
 - xvii. Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.*

**FAME Assistance Corporation
Immediate Needs Transportation Program (INTP)
Schedule of Prior Year Findings and Recommendations
Year ended June 30, 2018**

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

Condition

During our review of the monthly invoices submitted to LACMTA, it was noted that FAC's personnel costs allocated to the program for the months of December 2016 and June 2017 were based on budget estimates for all six (6) employees instead of actual hours worked on the program. FAC did not track actual hours worked by program, thus the corresponding employees' timesheets did not support the actual hours charged to the program. FAC stated that no true-up procedure was performed. The total personnel costs billed to LACMTA in December 2016 and June 2017 were \$23,907 and \$16,030, respectively.

In addition, the entire personnel file of the former Executive Director and the payroll/status change notice effective for FY2016-17 of three (3) employees were unable to be located for our audit.

However, FAC is not required to return any money since their total allowable expenses spent on the program exceeded the total contract amount in the current fiscal year.

Cause

This was an oversight on the part of the previous management that was replaced in November 2017 and the current management was unable to provide sufficient and appropriate justification to the allocation plan.

Effect

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

Recommendation

We recommend that FAC implement policies and procedures to allocate personnel costs based on actual hours worked and make the necessary adjustment to the general ledger to correct the personnel costs for the current fiscal year to reflect actual hours worked.

View of Responsible Officials and Planned Corrective Action

The current management of FAC doesn't have the ability to provide with exact payroll basis used for allocation purposes for fiscal year 2016-2017. We tried our best and these are all we found. We agree to the missing personnel file for the former Executive Director. Her personnel file has never been accessible to anyone except her and the HR Director who is no longer with the company since November 2017. We will implement additional payroll documentation called "personnel's activity report" with their timesheet.

**FAME Assistance Corporation
Immediate Needs Transportation Program (INTP)
Schedule of Prior Year Findings and Recommendations
Year ended June 30, 2018**

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

Status

Partially implemented, Time-cards were presented only for half of the employees as it was mentioned in Finding #2018-002. A reminder was sent to the other half of the employees regarding strict implementation of the guideline.

Finding 2017-003 – Allocation of shared costs

Criteria or Specific Requirement

2 CFR Part 230 (Formerly OMB Circular A-122), Appendix A, Cost Principles for Non-Profit Organizations states:

“Subparagraph A. Basic Considerations 4. Allocable costs. a. A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:

- 4) Is incurred specifically for the award.*
- 5) Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received, or*
- 6) Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown”.*

Part C, Section 2.0 Allocable Expenses of the Auditor-Controller Contract Accounting and Administration Handbook states: *“The Contractor shall maintain documentation for allocated expenses (e.g. timecards, time summaries, square footage measurements, number of employees, etc.)”.*

Condition

During our review of the monthly invoices submitted to LACMTA, it was noted that FAC’s non-personnel costs allocated to the program for the months of December 2016 and June 2017 were based on the estimated personnel hours which is discussed in Finding No. 2017-002.

Additionally, per discussion with FAC, Shared Costs such as Garbage/Trash, Janitorial, Building Maintenance, and Insurance expenses are allocated based on actual square footage used by the program. However, based on the floor plan provided by FAC, the percentages used to allocate shared costs to LACMTA were inadequately supported. The total non-personnel costs billed to LACMTA in December 2016 and June 2017 were \$3,177 and \$3,461, respectively.

**FAME Assistance Corporation
Immediate Needs Transportation Program (INTP)
Schedule of Prior Year Findings and Recommendations
Year ended June 30, 2018**

Finding 2017-003 – Allocation of shared costs (Continued)

Condition (Continued)

However, FAC is not required to return any money since their total allowable expenses spent on the program exceeded the total contract amount in the current fiscal year.

Cause

This was an oversight on the part of the previous management that was replaced in November 2017 and the current management was unable to provide sufficient and appropriate justification to the allocation plan.

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 to the Cost Allocation Plan. We also recommend that the Cost Allocation Plan be formally updated.

View of Responsible Officials and Planned Corrective Action

The current management of FAC doesn't have the ability to provide with exact payroll and square footage basis used for allocation purposes for fiscal year 2016-2017. We tried our best and these are all we found. We will prepare a written cost allocation plan.

Status

Partially implemented, Time-cards were presented for half of the employees. Thus, the cost allocation plan is still not supported due to the fact that payroll is the base of allocation which is also discussed in Finding #2018-003. A reminder was sent to the other half of the employees regarding strict implementation of the guideline.

EXIT CONFERENCE

**FAME Assistance Corporation
Immediate Needs Transportation Program (INTP)
Exit Conference
Year ended June 30, 2018**

An exit conference was held on January 31, 2019 with the FAME Assistance Corporation, Inc.'s representatives. Those in attendance were:

Simpson & Simpson CPAs representatives

Mark Frishwasser – Senior Auditor
Tianren Bian – Auditor

FAC representatives:

Susan Acorin – Accountant
Azim Popatia – Staff Accountant
Ronni Jackson – Director of Transportation Services

Matters discussed:

Results of the audit disclosed instances of noncompliance with the Guidelines.

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

Susan Acorin – Accountant
Azim Popatia – Staff Accountant
Ronni Jackson – Director of Transportation Services