

Human Services Association

**Report on the Rider Relief Transportation Program (RRTP)
by Human Services Association under
its Memorandum of Understanding No. MOU. R2TPHSA2
with the Los Angeles County Metropolitan Transportation Authority**

**As of and for the Years Ended June 30, 2017 and 2016
with Report of Independent Auditors**



Simpson & Simpson, LLP
Certified Public Accountants

Human Services Association
Rider Relief Transportation Program
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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 Human Services Association and the
Los Angeles County Metropolitan Transportation Authority

Report on the Financial Statements

We have audited the accompanying financial statements of **the Rider Relief Transportation Program (RRTP) (the Program) by Human Services Association (RRTP) (HSA)**, a not-for-profit organization, funded by the Los Angeles County Metropolitan Transportation Authority (LACMTA), which comprise the statements of financial position as of June 30, 2017 and 2016, 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 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 Rider Relief Transportation Program by the Human Services Association as of June 30, 2017 and 2016, 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 Rider Relief Transportation Program, and do not purport to, and do not present fairly HSA's financial position as of June 30, 2017 and 2016, 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 coupon distribution by agency providers (Schedule) 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 23, 2018 on our consideration of HSA'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 HSA's internal control over financial reporting and compliance.

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

February 23, 2018
Los Angeles, California

**Human Services Association
Rider Relief Transportation Program
Statement of Financial Position**

		June 30	
		2017	2016
ASSETS			
Due from LACMTA	\$	37,476	\$ 36,065
Prepaid printing costs		3,732	-
Total assets	\$	41,208	\$ 36,065
 LIABILITIES AND NET ASSETS			
Liabilities			
Advances from HSA (Note 4)	\$	36,036	\$ 25,544
Accounts payable		1,000	-
Accrued vacation		1,181	1,637
Accrued payroll tax		213	615
Accrued wages and salaries		2,778	8,269
Total liabilities		41,208	36,065
Net assets		-	-
Total liabilities and net assets	\$	41,208	\$ 36,065

The accompanying notes are an integral part of the financial statements

**Human Services Association
Rider Relief Transportation Program
Statement of Activities**

	Years Ended June 30	
	2017	2016
REVENUES		
Grant revenue	\$ 200,000	\$ 200,000
Total revenues	200,000	200,000
 EXPENDITURES		
Program expenses		
Printing	874	2,738
Total program expenses	874	2,738
Administrative expenses		
Salaries and wages	124,404	126,296
Employee benefits	34,084	33,262
Allocated indirect costs	20,000	20,000
Supplies and materials	4,705	2,085
Office rent	3,195	2,703
Office supplies	3,419	3,318
Staff mileage	4,254	4,081
Auditing expenses	1,000	-
Utilities	1,061	809
Telephone	580	579
Program events	-	1,455
Building and grounds maintenance	700	865
Dues and subscriptions	4	6
Staff training/development	1,720	1,803
Total administrative expenses	199,126	197,262
Total expenses	200,000	200,00
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

**Human Services Association
Rider Relief Transportation Program
Notes to Financial Statements
For the Fiscal Years ended June 30, 2017 and 2016**

	Years ended June 30	
	2017	2016
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	(1,411)	(7,686)
Prepaid printing costs	(3,732)	2,321
Accounts payable	1,000	-
Accrued vacation	(456)	(1,602)
Accrued payroll tax	(402)	615
Accrued wages and salaries	(5,491)	1,279
Net cash provided by (used in) operating activities	(10,492)	(5,073)
 Cash from financing activities		
Advances from HSA	10,492	5,073
Net cash (used in) provided by financing activities	10,492	5,073
 Change in cash	-	-
 Cash		
Beginning of year	-	-
End of year	\$ -	\$ -

**Human Services Association
Rider Relief Transportation Program
Notes to Financial Statements
For the Fiscal Years ended June 30, 2017 and 2016**

NOTE 1 – BACKGROUND

The Rider Relief Transportation Program (RRTP) was created in 2007 upon a cooperative partnership among the FAME Assistance Corporation (FAC), Jewish Family Service of Los Angeles (JFS) and Human Services Association (HSA). The Los Angeles County Metropolitan Transportation Authority (LACMTA) provides funding for this program under separate Memorandum of Understanding (MOU) by FAC and HSA with LACMTA. Beginning in FY2010, JFS no longer participates in the Program. The purpose of the RRTP program is to provide fare subsidy coupons to eligible Metro bus riders. The service is made available throughout Los Angeles County via a wide range of non-profit and government agencies that distribute subsidy coupons to the neediest segment of the population.

RRTP used to offer two (2) types of transportation subsidies: Coupons and Metro tokens. However, at the beginning of fiscal year 2016, Metro tokens were no longer offered to its qualified riders. During the fiscal year, subsidy coupons are only provided to the following classified qualified participants: Regular Riders, Senior Citizens, Kindergarten through twelfth grade (K-12), and College-vocational students.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

HSA 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 HSA for all costs incurred by HSA 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 RRTP, and do not purport to, and do not present fairly the HSA's financial position as of June 30, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

NOTE 4 – ADVANCES FROM HSA

HSA advances money for the operating expenses of the RRTP. HSA sends an invoice to LACMTA on a monthly basis to seek reimbursement for expenses paid by HSA for operating the RRTP. At June 30, 2017 and 2016, the amounts due to HSA were \$36,036 and \$25,544.

**Human Services Association
Rider Relief Transportation Program
Notes to Financial Statements
For the Fiscal Years ended June 30, 2017 and 2016**

NOTE 5 – ALLOCATION FOR THE YEAR

Per the Amendment No. 2 to Memorandum of Understanding dated July 1, 2016, for Fiscal Year 2016-2017, LACMTA will reimburse HSA in an amount not to exceed two million dollars (\$2,000,000) for transportation and administrative costs. LACMTA will reimburse HSA in administrative costs not to exceed two hundred thousand dollars (\$200,000). Any expenditures exceeding the total contract amount for any fiscal year shall be the sole responsibility of HSA.

The transportation fare media is in the form of transportation subsidy coupons. The value of the subsidy coupons are presented as supplementary information and are not recorded in the statement of activities because of the pass-through nature of the subsidy coupons.

Expenses presented in the Statement of Activities represent reimbursements received from LACMTA of the total expenses incurred by HSA on the RRTP.

NOTE 6 – RRTP COMPLIANCE REQUIREMENTS

The RRTP is governed by the provisions of the Memorandum of Understanding between LACMTA and HSA, and the RRTP Operating Manual (the Guidelines). The Guidelines provide, among other requirements, that transportation subsidies be made available to Los Angeles County residents living below the poverty level.

NOTE 7 – INDIRECT COSTS

Indirect costs are allocated to the program based on direct salaries and wages of those who worked directly on the program. Indirect costs incurred that were in excess of the amount authorized by LACMTA of \$20,000 were not billed to LACMTA.

NOTE 8 – SUBSEQUENT EVENTS

HSA has evaluated events through February 23, 2018, 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 of RRTP.

**Human Services Association
Rider Relief Transportation Program
Schedule of Coupon Distribution by Agency Providers
Year ended June 30, 2017**

<u>Provider</u>	<u>Coupons</u>
Human Services Association	\$ 821,436
MSC City of Long Beach	5,280
Goodwill / Central San Gabriel Valley Worksource	5,100
Friends of the Miracle Mile	3,900
Aghaby Comprehensive Community Health Center	3,720
House of Ruth	3,300
Compton YouthBuild	3,276
San Gabriel Valley Service Center	2,160
Plymouth West	1,260
Journey House Inc.	1,236
Field of Dreams Learning Inc.	1,140
Youth Moving On	792
Total	\$ <u><u>852,600</u></u>

Note

As stated in Note 5, the above subsidy coupons are not recorded in the statement of activities because of the pass-through nature of the subsidy coupons.

See accompanying independent auditor's report



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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 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 Human Services Association and the
Los Angeles County Metropolitan Transportation Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of **the Rider Relief Transportation Program (the Program), by the Human Services Association (HSA)**, a not-for-profit organization, funded by the Los Angeles County Metropolitan Transportation Authority (LACMTA) which comprise the financial position as of June 30, 2017, 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 23, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered HSA'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 HSA's internal control. Accordingly, we do not express an opinion on the effectiveness of HSA'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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

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

Purpose of this Report

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

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

Los Angeles, California
February 23, 2018

COMPLIANCE SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

U.S. BANK TOWER
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LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
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Independent Auditor's Report on Compliance

To Human Services Association and the
Los Angeles County Metropolitan Transportation Authority

Report on Compliance

We have audited the compliance of the **Human Services Association (HSA)** with the Memorandum of Understanding No. MOU. R2TPHSA2 and RRTP Operating Guidelines (collectively, the Guidelines) for the year ended June 30, 2017.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion

In our opinion, Human Services Association 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 required to be reported in accordance with the Guidelines and which are described in the accompanying Schedule of Findings and Recommendations as Finding Nos. 2017-001 and 2017-002. Our opinion is not modified with respects to these matters.

HSA's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Recommendation. HSA'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 HSA 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 HSA'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 HSA's internal control over compliance.

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 preceding paragraph 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.

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

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

Los Angeles, California
February 23, 2018

**Human Services Association
Rider Relief Transportation Program
Schedule of Findings and Recommendations
Year ended June 30, 2017**

Finding 2017-001 – Distributing Subsidy Coupons

Criteria or Specific Requirement

Under the Rider Relief Transportation Program (RRTP) Operating Guidelines, distributing agencies are required to record subsidy coupon disbursements in the User Log, to control and track usage. Recipient information is entered in the User Log next to each pre-printed subsidy coupon serial number. This information includes recipient's name, city and ZIP, name of college/university (for students) and valid identification (e.g. driver's license, social security number, etc.).

Furthermore, under the RRTP Participation agreement, participant will maintain accurate and complete user logs in compliance with RRTP Operating Guidelines for all subsidy coupons disbursed under the RRTP program.

Condition

During our review of the agency site visits, it was noted that one (1) agency, Aghaby Comprehensive Community Health Center, had an incomplete User Log:

- Out of the seven (7) recipients reviewed who signed in the User Log, it was noted that all seven (7) recipients had insufficient information: five (5) dates, seven (7) quantity of coupons, and five (5) authorized signatures were missing from the User Log
- Out of the seven (7) recipients reviewed who signed in the User Log, all seven (7) participants' pass type and ID code were inaccurately completed.

In addition, during our review of eleven (11) intake forms completed by the agency, it was noted that two (2) subsidy coupon disbursements noted on one (1) of the intake forms were not recorded on the corresponding User Log.

Cause

Aghaby Comprehensive Community Health Center had a change of staff in-charge of the RRTP and was not knowledgeable about the RRTP Operating Guidelines.

Effect

The agency did not comply with RRTP Operating Guidelines.

**Human Services Association
Rider Relief Transportation Program
Schedule of Findings and Recommendations
Year ended June 30, 2017**

Finding 2017-001 – Distributing Subsidy Coupons (Continued)

Recommendation

We recommend that HSA send a reminder to the agencies distributing coupons to control and track usage by recording subsidy coupon disbursements in the User Log with information required by the RRTP Operating Guideline.

Management Response

Human Services Association's (HSA) Rider Relief Transportation program coordinator and staff will ensure that collaborating distributing agencies fill out and complete the user logs thoroughly by reviewing the agencies' documentation at a minimum of two times per fiscal year. Prior to allocating coupons, staff will review the agencies' documentation at the beginning of each cycle. In addition, program coordinator and /or staff will review the submitted logs on a monthly basis and cross check the information with the data entered on the database. RRTP program coordinator and/or staff will conduct a minimum of one audit visit per fiscal year and ensure that agencies are in compliance with operating guidelines and the signed agreement.

HSA has found it necessary to terminate the participating agreement with Aghaby Comprehensive Community Health Center as of February 21, 2018 in order to safeguard the program's overall success. HSA will only reinstate the agreement upon a thorough training and review of the operating guidelines, policies and procedures with the collaborating distributing agency's management staff.

**Human Services Association
Rider Relief Transportation Program
Schedule of Findings and Recommendations
Year ended June 30, 2017**

Finding 2017-002– Screening for Client Eligibility

Criteria or Specific Requirement

Under the Rider Relief Transportation Program (RRTP) Operating Guidelines, distributing agencies are required to review the eligibility guidelines with each recipient by completing the RRTP Intake form.

Furthermore, under the RRTP Policies and Procedures, each agency agrees to screen and document information for each client participating in the RRTP, ensuring they meet the minimum eligibility criteria set forth by LACMTA.

Condition

During our review of the agency site visits, of eleven (11) Intake Forms reviewed, it was noted that one (1) agency, Aghaby Comprehensive Community Health Center, had four (4) Intake Forms that did not have the required reviewer's signature of the agency authorized staff.

Cause

Aghaby Comprehensive Community Health Center had a change of staff in-charge of the RRTP and was not knowledgeable about the RRTP Operating Guidelines.

Effect

The agency did not comply with RRTP Operating Guidelines.

Recommendation

We recommend that HSA send a reminder to the agencies distributing coupons to have the back of the Intake Forms signed by agency authorized staff.

Management Response

Human Services Association's (HSA) Rider Relief Transportation program coordinator and staff will ensure that collaborating distributing agencies fill out and complete the intake applications thoroughly by reviewing the agencies' documentation at a minimum of two times per fiscal year. Prior to allocating coupons, staff will review the agencies' documentation at the beginning of each cycle. RRTP program coordinator and/or staff will conduct a minimum of one audit visit per fiscal year and ensure that agencies are in compliance with operating guidelines and the signed agreement.

**Human Services Association
Rider Relief Transportation Program
Schedule of Findings and Recommendations
Year ended June 30, 2017**

Finding 2017-002– Screening for Client Eligibility (Continued)

Management Response (Continued)

HSA has found it necessary to terminate the participating agreement with Aghaby Comprehensive Community Health Center as of February 21, 2018 in order to safeguard the program's overall success. HSA will only reinstate the agreement upon a thorough training and review of the operating guidelines, policies and procedures with the collaborating distributing agency's management staff.

**Human Services Association
Rider Relief Transportation Program
Schedule of Prior Year Findings and Recommendations
Year ended June 30, 2017**

There were no reportable findings noted during the fiscal year ended June 30, 2016.

EXIT CONFERENCE

**Human Services Association
Rider Relief Transportation Program
Exit Conference
Year ended June 30, 2017**

An exit conference was held on February 23, 2018 with HSA representatives. Those in attendance were:

Simpson & Simpson CPAs representatives:

Mark Frishwasser, Auditor.

HSA representatives:

Juan J Lopez Solorio, Project Coordinator

Matters discussed:

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

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

Juan J Lopez Solorio, Project Coordinator