

**Shelter Partnership, Inc.**

**Report on the Audit of Support for Homeless on Re-Entry Program (SHORE)  
by Shelter Partnership, Inc. under  
its Memorandum of Understanding No. MOU. P000SHORE3  
with the Los Angeles County Metropolitan Transportation Authority**

**As of and for the Years Ended June 30, 2016 and 2015  
with Independent Auditor's Report**



**Simpson & Simpson, LLP  
Certified Public Accountants**

**Shelter Partnership, Inc.**  
**Support for Homeless on Re-Entry (SHORE) Program**  
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## ***FINANCIAL SECTION***

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## **Independent Auditor's Report**

To Shelter Partnership, Inc. and the  
Los Angeles County Metropolitan Transportation Authority

### ***Report on the Financial Statements***

We have audited the financial statements of **the Support for Homeless on Re-Entry (SHORE) Program (the Program) by the Shelter Partnership, Inc. (SP)**, 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, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our 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 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 SHORE Program by Shelter Partnership, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matter***

The financial statements of the SHORE Program as of and for the year ended June 30, 2015, were audited by other auditors, whose report, dated March 31, 2016, expressed an unmodified opinion on those statements.

### ***Emphasis of Matter***

As discussed in Note 2, the financial statements present only the SHORE Program, and do not purport to, and do not, present fairly SP's financial position as of June 30, 2016 and 2015, 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 audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of service providers with payment data 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 28, 2017 on our consideration of SP'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 SP's internal control over financial reporting and compliance.

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

February 28, 2017  
Los Angeles, California

**Shelter Partnership, Inc.**  
**Support for Homeless on Re-Entry (SHORE) Program**  
**Statement of Financial Position**

	June 30	
	2016	2015
<b>ASSETS</b>		
Due from LACMTA	\$ 4,916	\$ 5,667
<b>Total assets</b>	<u>\$ 4,916</u>	<u>\$ 5,667</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Advances from Shelter Partnership, Inc.	\$ 4,916	\$ 5,667
<b>Net assets</b>	-	-
<b>Total liabilities and net assets</b>	<u>\$ 4,916</u>	<u>\$ 5,667</u>

The accompanying notes are an integral part of the financial statements

**Shelter Partnership, Inc.**  
**Support for Homeless on Re-Entry (SHORE) Program**  
**Statement of Activities**

	Years Ended June 30	
	2016	2015
<b>REVENUES</b>		
Grant revenue	\$ 517,591	\$ 520,000
<b>Total revenues</b>	<u>517,591</u>	<u>520,000</u>
<b>EXPENDITURES</b>		
Program expenses		
Tokens	402,500	412,250
Tap Cards	97,500	87,750
Administrative	<u>17,591</u>	<u>20,000</u>
<b>Total expenses</b>	<u>517,591</u>	<u>520,000</u>
<b>Change in net assets</b>	-	-
<b>Net assets at beginning of year</b>	<u>-</u>	<u>-</u>
<b>Net assets at end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of the financial statements



**Shelter Partnership, Inc.**  
**Support for Homeless on Re-Entry (SHORE) Program**  
**Statement of Cash Flows**

	Years Ended June 30	
	<u>2016</u>	<u>2015</u>
<b>Cash from operating activities</b>		
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	<u>(4,916)</u>	<u>(5,667)</u>
<b>Net Cash Provided by (used in) Operating Activities</b>	<u>(4,916)</u>	<u>(5,667)</u>
<b>Cash from Financing Activities</b>		
Advance from Shelter Partnership, Inc.	<u>4,916</u>	<u>s 5,667</u>
<b>Change in Cash</b>	-	-
<b>Cash</b>		
Beginning of Year	-	-
End of Year	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

The accompanying notes are an integral part of the financial statements

**Shelter Partnership, Inc.**  
**Support for Homeless on Re-Entry (SHORE) Program**  
**Notes to Financial Statements**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**NOTE 1 – BACKGROUND**

The Support for Homeless on Re-Entry (SHORE) Program was formed to provide bus tokens and TAP cards to homeless participants in the greater Los Angeles area. The Los Angeles County Metropolitan Transportation Authority (LACMTA) entered into a Memorandum of Understanding (MOU) with Shelter Partnership, Inc. (SP) for the latter to manage the SHORE program and administer the distribution and monitoring of tokens and TAP cards to eligible provider agencies.

Bus tokens and TAP cards are provided by SP to eligible provider agencies in the form of vouchers. These vouchers are then redeemed at LACMTA in exchange for bus tokens or TAP cards. For fiscal year 2016, there were 18 provider agencies.

**NOTE 2 – REPORTING ENTITY**

The financial statements present only the SHORE Program, and do not purport to, and do not present fairly the SP's financial position as of June 30, 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.

**NOTE 3 – BASIS OF ACCOUNTING**

The accounts of the SHORE program are maintained on 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.

**NOTE 4 – ALLOCATION FOR THE YEAR**

On July 1, 2015, under Amendment No. 1 to MOU No. MOU. P000SHORE3, the LACMTA Board of Directors authorized a total of \$500,000 worth of tokens and TAP cards for distribution under the SHORE program and \$20,000 for administration costs.

**NOTE 5 – SHORE PROGRAM COMPLIANCE REQUIREMENTS**

The SHORE program is governed by the provisions of the MOU between LACMTA and Shelter Partnership, Inc. and the attachments contained therein. The MOU provides, among other requirements, that tokens and TAP cards be distributed to eligible homeless participants receiving case management services.

**Shelter Partnership, Inc.**  
**Support for Homeless on Re-Entry (SHORE) Program**  
**Notes to Financial Statements**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**NOTE 6 – SUBSEQUENT EVENTS**

SP has evaluated subsequent events through February 28, 2017, the date the financial statements were available to be issued, and concluded no events have occurred that required disclosure or adjustments to the financial statements.

**Shelter Partnership, Inc.**  
**Support for Homeless on Re-Entry (SHORE) Program**  
**Schedule of Service Providers with Payment Data - Tokens**  
**Year ended June 30, 2016**

<b>Service Provider</b>	<b>Tokens Distributed</b>		<b>Amount</b>
Beyond Shelter	20,000	\$	35,000
Catholic Charities of Los Angeles, Inc. / Good Shepherd Center	42,000		73,500
Homeless Health Care Los Angeles	41,000		71,750
Jewish Family Service of Los Angeles / Gramercy Place	5,000		8,750
Jovenes, Inc.	13,000		22,750
Lamp Community	8,000		14,000
L.A. Family Housing	24,000		42,000
Los Angeles House of Ruth	2,000		3,500
Para Los Ninos	3,000		5,250
Single Room Occupancy Housing Corporation	8,000		14,000
Special Service for Groups	15,000		26,250
Testimonial Community Love Center	20,000		35,000
VOA-Pathways to Housing	8,000		14,000
Watts Labor Community Action Committee	11,000		19,250
Weingart Center Association	10,000		17,500
<b>Total</b>	<b>230,000</b>	<b>\$</b>	<b>402,500</b>

See accompanying independent auditor's report

**Shelter Partnership, Inc.**  
**Support for Homeless on Re-Entry (SHORE) Program**  
**Schedule of Service Providers with Payment Data – TAP Card**  
**Year ended June 30, 2016**

<b>Service Provider</b>		<b>TAP Card Distributed</b>
Chrysalis Center	\$	54,017
Covenant House California		31,483
Los Angeles Youth Network		12,000
	\$	<b>97,500</b>

See accompanying independent auditor's report



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**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 Shelter Partnership, Inc. 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 Support for Homeless on Re-Entry (SHORE) Program (the Program) by the Shelter Partnership, Inc. (SP)**, a not-for-organization, funded by the Los Angeles County Metropolitan Transportation Authority (LACMTA), which comprise the statement of financial position as of June 30, 2016, 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 28, 2017.

**Internal Control over Financial Reporting**

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

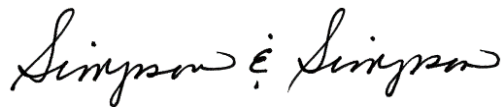
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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' in a cursive script.

Los Angeles, California  
February 28, 2017

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## *COMPLIANCE SECTION*

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## **Independent Auditor's Report on Compliance**

### **To Shelter Partnership, Inc. and the Los Angeles County Metropolitan Transportation Authority**

#### **Report on Compliance**

We have audited the compliance of the **Shelter Partnership, Inc. (SP)** with the Memorandum of Understanding No. MOU. P000SHORE3 and the Support for Homeless on Re-Entry (SHORE) Operating Guidelines (collectively, the Guidelines) for the year ended June 30, 2016.

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on SP'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 SHORE Program occurred. An audit includes examining, on a test basis, evidence about SP'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 SP's compliance with the Guidelines.

#### **Opinion**

In our opinion, Shelter Partnership, Inc. complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2016.

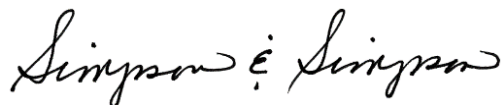
## Report on Internal Control over Compliance

Management of Shelter Partnership, 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 SP'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 SP'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 cursive script, reading 'Simpson & Simpson'.

Los Angeles, California  
February 28, 2017

**Shelter Partnership, Inc.**  
**Support for Homeless on Re-Entry (SHORE) Program**  
**Schedule of Findings and Recommendations**  
**Year ended June 30, 2016**

There were no findings identified as a result of the procedures performed during our audit.

**Shelter Partnership, Inc.**  
**Support for Homeless on Re-Entry (SHORE) Program**  
**Schedule of Prior Year Findings and Recommendations**  
**Year ended June 30, 2016**

**Finding 2015-001 – Inventory of Tokens**

**Criteria or Specific Requirement**

Under the SHORE Program Participation Agreement, grantees will take full responsibility and liability of SHORE program tokens. Grantee agrees to keep all tokens in a locked area (i.e. safe, file cabinet, and/or desk) with limited access and agrees to conduct random spot checks to ensure actual tokens on hand match reported amounts. If tokens are kept in several locations, the grantee agrees to institute an internal token log sheet to record token distribution to staff.

**Condition**

Our audit disclosed the following:

- During our physical count of tokens at Jovenes, Inc. on February 12, 2016, we counted 962 tokens on hand which were 62 tokens more than the inventory balance of 900 tokens.
- During our physical count of tokens at Special Service for Groups on February 16, 2016, we counted 1,874 tokens on hand which were 5 tokens more than the inventory balance of 1,869 tokens. 110 of the tokens counted were stored in the drawer of the grantee's Division Director.
- We noted that there were no random spot checks performed at Jovenes, Inc. and Special Service for Groups to ensure tokens are fully accounted for at any period.

**Recommendation**

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

- Grantee updates the inventory of tokens on a daily basis, including those in other locations.
- The immediate superior of the custodian of the tokens should strictly enforce the random spot checks of the token inventory and promptly resolve any variances.

**Shelter Partnership, Inc.**  
**Support for Homeless on Re-Entry (SHORE) Program**  
**Schedule of Prior Year Findings and Recommendations**  
**Year ended June 30, 2016**

**Finding 2015-001 – Inventory of Tokens (continued)**

**Views of Responsible Officials and Planned Corrective Action**

Token security and ensuring that agencies maintain accurate token inventories are priorities for Shelter Partnership. Accordingly, agencies are currently required to submit quarterly physical count reports. Requiring agencies to conduct physical counts on a daily basis would be logistically difficult and cumbersome for them. However, starting April 2016, Shelter Partnership will require all agencies to conduct physical counts on a monthly basis and submit corresponding reports. Shelter Partnership will also remind agencies that random spot checks must be conducted per the Participation Agreement. While conducting the SHORE agency site visits in Spring 2016, Shelter Partnership will collect information on any individual agency practices that could be potential program-wide models for token inventory monitoring. Shelter Partnership will consult with Metro to determine if there are other procedures concerning token inventory that should be instituted.

**Status**

Implemented.

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***EXIT CONFERENCE***

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**Shelter Partnership, Inc.  
Support for Homeless on Re-Entry (SHORE) Program  
Exit Conference  
Year ended June 30, 2016**

An exit conference was held on February 28, 2017 with the Shelter Partnership, Inc.'s representatives. Those in attendance were:

**Simpson & Simpson CPAs representatives:**

Tianyun Sun – Auditor

**Shelter Partnership, Inc.'s representatives:**

Nicky Viola – Sr. Program Manager

Alana Riemermann – Project Manager

**Matters discussed:**

Results of the audit, no findings were noted

A copy of this report was forwarded to the following Shelter Partnership, Inc. representatives for comments prior to the issuance of the final report:

Nicky Viola – Sr. Program Manager

Alana Riemermann – Project Manager