



**Metro**<sup>TM</sup>

**Shelter Partnership, Inc.**

**Report on the Audit of  
Support for Homeless on Re-Entry (SHORE) Program  
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 Year Ended June 30, 2015  
with Report of Independent Auditors**

An Independently Owned Member  
**McGLADREY ALLIANCE**



 **Vasquez**  
& Company LLP  
Certified Public Accountants and Business Consultants

**Shelter Partnership, Inc.**  
**Support for Homeless on Re-Entry (SHORE) Program**  
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## Report of Independent Auditors

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

#### Report on the Financial Statement

We have audited the financial statements of the Support for Homeless on Re-Entry (SHORE) Program (the Program) by Shelter Partnership, Inc. (SP) funded by the Los Angeles County Metropolitan Transportation Authority (LACMTA), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to financial statements.

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

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.

#### ***Auditors' Responsibility***

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

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

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



### ***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, 2015, 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. Our opinion is not modified with respect to this matter.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the SHORE Program by Shelter Partnership, Inc. as of June 30, 2015 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.

### ***Supplementary Information***

Our audit was 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 purposes of additional analysis and are 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 Program's financial statements. The 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 March 31, 2016 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 black ink that reads "Vaqueria &amp; Company LLP".

Los Angeles, California  
March 31, 2016

**Shelter Partnership, Inc.**  
**Support for Homeless on Re-Entry (SHORE) Program**  
**Statement of Financial Position**  
**June 30, 2015**

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

*See notes to financial statements.*

**Shelter Partnership, Inc.**  
**Support for Homeless on Re-Entry (SHORE) Program**  
**Statement of Activities**  
**Year ended June 30, 2015**

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<b>Revenues</b>	
Grant revenue	\$ 520,000
<b>Total revenues</b>	<u>520,000</u>
 <b>Expenses</b>	
Program	
Tokens	412,250
TAP cards	87,750
Administrative	<u>20,000</u>
<b>Total expenses</b>	<u>520,000</u>
 <b>Change in net assets</b>	 -
 <b>Net assets at beginning of year</b>	 <u>-</u>
 <b>Net assets at end of year</b>	 \$ <u><u>-</u></u>

*See notes to financial statements.*

**Shelter Partnership, Inc.**  
**Support for Homeless on Re-Entry (SHORE) Program**  
**Statement of Cash Flows**  
**Year ended June 30, 2015**

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<b>Cash flows from operating activities</b>	
Change in net assets	\$ -
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Changes in operating assets and liabilities	
Due from LACMTA	<u>(5,667)</u>
<b>Net cash used in operating activities</b>	<u>(5,667)</u>
 <b>Cash flows provided by financing activity</b>	
Advances from Shelter Partnership, Inc.	<u>5,667</u>
 <b>Change in cash</b>	-
 <b>Cash</b>	
Beginning of year	<u>-</u>
 End of year	<u><u>\$ -</u></u>

*See notes to financial statements.*

**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 2014/2015, 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, 2015, 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.

**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, 2014, under Amendment No. 5 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.



**NOTE 6      SUBSEQUENT EVENTS**

SP has evaluated subsequent events through March 31, 2016, 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, 2015**

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<u>Service Provider</u>	<u>Tokens Distributed</u>	<u>Amount</u>
Beyond Shelter	15,000	\$ 25,500
Catholic Charities of Los Angeles, Inc. / Good Shepherd Center	44,000	74,500
Homeless Health Care Los Angeles	38,000	64,000
Jewish Family Service of Los Angeles / Gramercy Place	6,000	10,250
Jovenes, Inc.	16,000	27,000
Lamp Community	9,000	15,500
L.A. Family Housing	24,000	40,500
Los Angeles House of Ruth	4,000	6,750
Para Los Ninos	3,000	5,250
Single Room Occupancy Housing Corporation	10,000	16,750
Special Service for Groups	18,000	30,250
Testimonial Community Love Center	22,000	37,250
VOA-Pathways to Housing	11,000	18,750
Watts Labor Community Action Committee	11,000	18,250
Weingart Center Association	13,000	21,750
<b>Total</b>	<b><u>244,000</u></b>	<b><u>\$ 412,250</u></b>

*See report of independent auditors.*

**Shelter Partnership, Inc.**  
**Support for Homeless on Re-Entry (SHORE) Program**  
**Schedule of Service Providers with Payment Data – TAP Card**  
**Year ended June 30, 2015**

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<b><u>Service Provider</u></b>	<b><u>TAP Card Distributed</u></b>
Chrysalis Center	\$ 46,276
Covenant House California	30,349
Los Angeles Youth Network	<u>11,125</u>
<b>Total</b>	<b>\$ <u>87,750</u></b>

*See report of independent auditors.*

**Report of Independent Auditors 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 Shelter Partnership, Inc. (SP) funded by the Los Angeles County Metropolitan Transportation Authority (LACMTA), which comprise the financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated March 31, 2016.

**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 statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



## **Compliance and Other Matters**

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

**Los Angeles, California**  
**March 31, 2016**

## COMPLIANCE SECTION

## **Report of Independent Auditors 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, 2015.

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

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

#### ***Auditors' 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, 2015.

#### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Guidelines and which is described as Finding 2015-001 in the Schedule of Findings and Recommendations. Our opinion is not modified with respect to this matter.

SP's response to the noncompliance finding identified in our audit is described in the schedule of findings and recommendations. SP's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



## 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 the 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 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 consider 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 "Vaqueria &amp; Company LLP".

Los Angeles, California  
March 31, 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.

***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.

**Shelter Partnership, Inc.**  
**Support for Homeless on Re-Entry (SHORE) Program**  
**Status of Prior Findings and Recommendations**  
**Year ended June 30, 2015**

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**Finding 2014-001 - Reporting**

***Criteria or Specific Requirement***

For distributing social service agencies, Section IV(A) and (B) of the SHORE Program Guidelines provides that monthly reports are due to SP by the 10<sup>th</sup> calendar day of each month. Agencies submitting 3 late reports over the course of the program year are to be removed from the program.

***Condition***

Our audit disclosed the following:

- 1 of the 3 distributing agencies visited, Testimonial Community Love Center, was late in submitting 9 monthly reports for FY 2013/2014 as follows:

<u>Month</u>	<u>Due Date</u>	<u>Date Submitted</u>
July 2013	August 10, 2013	August 20, 2013
August 2013	September 10, 2013	September 26, 2013
September 2013	October 10, 2013	October 16, 2013
October 2013	November 10, 2013	November 20, 2013
December 2013	January 10, 2014	January 14, 2014
January 2014	February 10, 2014	March 5, 2014
February 2014	March 10, 2014	March 12, 2014
March 2014	April 10, 2014	April 14, 2014
June 2014	July 10, 2014	July 14, 2014

***Recommendation***

We recommend that SP remind its agency providers to submit the monthly reports by the due date or take action to enforce the established guidelines.

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

The Monthly Report due date is stated in the Program Guidelines, an attachment to the Program Agreement, that each agency signs in advance of the start of the program year. Agencies are also reminded of the due date at the mandatory annual training which occurred on June 26, 2013 for the 2013/2014 program year. In response to this finding, on March 20, 2015, Shelter Partnership sent an email to all of the agencies reminding them of the Monthly Report due date and quoting Section IV.B.2 of the Program Guidelines. Also, for the 2014/2015 program year, Shelter Partnership and Metro revised the Program Guidelines so that Monthly Reports are due on the 15<sup>th</sup> of the month.

***Status***

Implemented.

**EXIT CONFERENCE**

An exit conference was held on March 31, 2016 with the Shelter Partnership, Inc.'s representatives. Those in attendance were:

Vasquez & Company LLP representative:

Isidro Conde – Audit Manager

Shelter Partnership, Inc. representatives:

Nicky Viola – Program Manager  
Russell Whaley – Finance Manager

Matters discussed:

Results of the audit disclosed an issue of noncompliance with the Guidelines.

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 – Program Manager  
Russell Whaley – Finance Manager

Vasquez & Company LLP  
801 S. Grand Avenue, Suite 400  
Los Angeles, CA 90017

RE: SHELTER PARTNERSHIP, INC. ANNUAL FINANCIAL REPORT OF THE SUPPORT FOR HOMELESS ON RE-ENTRY (SHORE) PROGRAM BY THE SHELTER PARTNERSHIP, INC. UNDER MEMORANDUM OF UNDERSTANDING NO. MOU.P000SHORE3 WITH THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FOR THE YEAR ENDED JUNE 30, 2015.

I have received the annual financial report of the Shelter for Homeless on Re-Entry (SHORE) Program for the year ended June 30, 2015 of the Shelter Partnership, Inc. and agreed with the contents of the report except as indicated below:

*(Attach additional pages if necessary)*

Very truly yours,

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date



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