

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, 2017 and 2016
with Independent Auditor's Report**



Simpson & Simpson, LLP
Certified Public Accountants

Shelter Partnership, Inc.
Support for Homeless on Re-Entry (SHORE) Program
TABLE OF CONTENTS

FINANCIAL SECTION	<u>PAGE</u>
Independent Auditor's Report	1
Basic Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6
Supplementary Information:	
Schedule of Service Providers with Payment Data – Tokens	8
Schedule of Service Providers with Payment Data – TAP Cards	9
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	10
COMPLIANCE SECTION	
Independent Auditor's Report on Compliance	12
Schedule of Findings and Recommendations	14
Schedule of Prior Year Findings Recommendations	17
EXIT CONFERENCE	18

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 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, 2017 and 2016, and the related statements of activities, and cash flows for the years 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 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 SHORE Program by Shelter Partnership, Inc. 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.

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, 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 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 15, 2018 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 "Simpson & Simpson". The signature is written in a cursive, flowing style.

February 15, 2018
Los Angeles, California

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

		June 30	
		2017	2016
ASSETS			
Due from LACMTA	\$	1,820	\$ 4,916
Total assets	\$	1,820	\$ 4,916
 LIABILITIES AND NET ASSETS			
Liabilities			
Advance from Shelter Partnership, Inc.	\$	1,820	\$ 4,916
Total liabilities		1,820	4,916
 Net assets		 -	 -
Total liabilities and net assets	\$	1,820	\$ 4,916

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	
		2017	2016
REVENUES			
Grant revenue	\$	511,928	\$ 517,591
Total revenues		511,928	517,591
 EXPENDITURES			
Program expenses			
Tokens		406,000	402,500
Tap Cards		93,999	97,500
Administrative expenses		11,929	17,591
Total expenses		511,928	517,591
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

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

	Years Ended June 30	
	2017	2016
Cash from operating activities		
Change in net assets	\$ -	\$ -
Adjustment to reconcile change in net asset to net cash used in operating activities: change in operating assets and liabilities		
Due from LACMTA	(1,820)	(4,916)
Net cash used in operating activities	(1,820)	(4,916)
Cash from financing activities		
Advance from Shelter Partnership, Inc.	1,820	4,916
Net cash provided by financing activities	1,820	4,916
Change in cash	-	-
Cash		
Beginning of year	-	-
End of year	\$ -	\$ -

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, 2017 and 2016

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 2017, 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, 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.

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, 2017 and 2016

NOTE 6 – SUBSEQUENT EVENTS

SP has evaluated subsequent events through February 15, 2018, 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, 2017

Service Provider	Tokens Distributed	Amount
Beyond Shelter	22,000	\$ 38,500
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.	11,000	19,250
Lamp Community	9,000	15,750
L.A. Family Housing	24,000	42,000
Los Angeles House of Ruth	3,000	5,250
Para Los Ninos	2,000	3,500
Single Room Occupancy Housing Corporation	10,000	17,500
Special Service for Groups	14,000	24,500
Testimonial Community Love Center	19,000	33,250
VOA-Pathways to Housing	10,000	17,500
Watts Labor Community Action Committee	10,000	17,500
Weingart Center Association	10,000	17,500
Total	232,000	\$ 406,000

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, 2017

Service Provider	TAP Card Distributed
Chrysalis Center	\$ 54,200
Covenant House California	28,476
Los Angeles Youth Network	11,323
Total	\$ 93,999

See accompanying independent auditor's report



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 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, 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 15, 2018.

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". The signature is written in a cursive, flowing style.

Los Angeles, California
February 15, 2018

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 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, 2017.

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, 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 as Finding No.2017-001 and 2017-002 in the accompanying Schedule Findings and Recommendations. Our opinion is not modified with respect to these matters.

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

Los Angeles, California
February 15, 2018

Shelter Partnership, Inc.
Support for Homeless on Re-Entry (SHORE) Program
Schedule of Findings and Recommendations
Year ended June 30, 2017

Finding 2017-001 – Inventory

Criteria or Specific Requirement

Under the SHORE Program Guidelines, SHORE grantees will be responsible for the security of program tokens or TAP cards. The grantees agree to keep tokens or TAP cards in a locked storage area with very limited access (e.g., a safe, locked desk or locked file cabinet). Each SHORE token or TAP cards distributed to clients must be documented through the SHORE Client Log. In turn, information recorded in the SHORE Client Logs will be used to generate SHORE monthly reports. SHORE program contacts are responsible for ensuring the accurate completion of Client Logs.

Condition

SP allocates tokens and TAP Cards for agencies to pick up from LACMTA every month.

During our review of the agency site visits, it was noted that one (1) Agency, Covenant House, which we visited on February 12, 2018 for inventory counts of TAP Cards on hand, had the initial unfavorable variance of TAP Cards. The day after our site visit, the Agency concurred with thirty-four (34) TAP cards variance noted during our onsite inventory count. At the exit meeting with SHORE on February 15, 2018, the thirty-four (34) TAP Card variance was communicated to them.

Subsequent to our exit meeting, SHORE represented to us that the Agency found a bundle of TAP Cards, in the back of the safe, which contained twenty-five (25) TAP Cards, uncounted during our audit which would reduce the variance noted during our onsite testing, to nine (9) TAP Cards. The Agency could not explain the remaining variance.

Effect

The agency did not comply with SHORE Program 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 SP.

We also, recommend that for future agency site visits to count TAP Cards, SHORE staff be present during the inventory count.

Shelter Partnership, Inc.
Support for Homeless on Re-Entry (SHORE) Program
Schedule of Findings and Recommendations
Year ended June 30, 2017

Finding 2017-001 – Inventory (Continued)

View of Responsible Officials and Planned Corrective Action

Covenant House reported that the day following the auditor's 2/12/18 site visit, Covenant House staff found a supply of twenty-five (25) TAP Cards that had not been accounted for during the auditor's physical count. Shelter Partnership conducted a site visit on 2/20/18 and did not find a variance. Shelter Partnership does not have an explanation for why there is not a remaining variance of nine (9) TAP Cards, as Shelter Partnership staff was not present during the auditor's 2/12/18 site visit. Covenant House staff confirms that there is no current variance.

Shelter Partnership, Inc.
Support for Homeless on Re-Entry (SHORE) Program
Schedule of Findings and Recommendations
Year ended June 30, 2017

Finding 2017-002 – Record Keeping

Criteria or Specific Requirement

According to the SHORE Program Guidelines, agencies must retain on file all SHORE program records for three complete program years after the completion of the program year. These include:

- Grant Agreement;
- Program Guidelines;
- Annual Memo to SHORE agencies;
- Voucher receipts;
- SHORE Client Logs
- All monthly reports submitted to Shelter Partnership;
- Internal memos/correspondence relative to SHORE program operations;
- Correspondence between the grantee and Shelter Partnership;
- Internal token or TAP cards distribution records; and
- Shelter Partnership training materials.

Condition

During our audit, it came to our attention that two (2) of SHORE agencies, LA Family Housing and LA Youth Network, lost their respective December 2017 client logs. LA Family Housing had 3,500 budgeted allocation of tokens and LA Youth Network had \$1,000 in TAP Cards for the month of December 2017.

Effect

The agency did not comply with SHORE Program Participant Agreement.

Recommendation

We recommend that the agencies enhance their internal control over program records.

View of Responsible Officials and Planned Corrective Action

Both LA Family Housing and LA Youth Network are strong agencies that have not had inventory discrepancies or substantial organizational capacity issues in the past. Furthermore, the number of tokens/TAP cards unaccounted for in December 2017 falls within the range of both agencies' usual monthly distribution to clients, based on their Monthly Reports. Shelter Partnership required the agencies to submit: (1) signed letters from their Executive Directors and SHORE Contacts confirming that the client logs were lost, that all tokens were distributed to eligible clients and that there was no loss or theft of tokens/TAP Cards; (2) Corrective Action Plans for approval by Shelter Partnership explaining how they will strengthen their internal controls; and (3) copies of their 2016/17 agency audits. Upon receipt, Shelter Partnership will submit these documents to the auditor. Shelter Partnership will also explore ways to strengthen the client log process, such as making the logs electronic or encouraging agencies to maintain back-up electronic copies of logs.

Shelter Partnership, Inc.
Support for Homeless on Re-Entry (SHORE) Program
Schedule of Prior Year Findings and Recommendations
Year ended June 30, 2017

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

EXIT CONFERENCE

**Shelter Partnership, Inc.
Support for Homeless on Re-Entry (SHORE) Program
Exit Conference
Year ended June 30, 2017**

An exit conference was held on February 15, 2018 with the Shelter Partnership, Inc.'s representatives. Those in attendance were:

Simpson & Simpson CPAs representatives:

Melba Simpson - Partner
Etta Hur – Audit Manager
Tianyun Sun – Senior Auditor

Shelter Partnership, Inc.'s representatives:

Nicky Viola – Sr. Program Manager
Alana Riemermann – Project Manager
Maggie Wang – Finance Manager

Matters discussed:

Results of the audit disclosed instances 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 – Senior Program Manager
Alana Riemermann – Project Manager