COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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TO: Supervisor Zev Yaroslavsky, Chairman
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Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **LOS ANGELES HOMELESS SERVICES AUTHORITY QUARTERLY FINANCIAL REVIEW**

We have completed our second quarter financial review of the Los Angeles Homeless Services Authority (LAHSA). Our first quarter review, completed in September 2001, assessed LAHSA's internal controls over revenue, disbursements, contracting, and budget. Our second review focused on assessing LAHSA's internal controls over its grant claiming processes, cash flow and budgetary monitoring, and bus token inventory. In addition, we reviewed a sample of August, September, and October 2001 disbursement and deposit transactions.

Background

On February 13, 2001, both your Board and the Los Angeles City Council approved the Amended and Restated Joint Powers Agreement (JPA) between the County and City of Los Angeles that granted LAHSA fiscal autonomy from the County. Per Section 8 of the new JPA, the Auditor-Controller is required to conduct a quarterly financial review of LAHSA's accounts and records for the succeeding twelve months and a semi-annual review during the second and third years.

Result of Review

LAHSA has continued to comply with established fiscal policies and procedures. We noted that LAHSA's separation of duties is sufficient to ensure the integrity of the fiscal operations. For example, LAHSA's vendor payments are properly authorized by someone independent of the purchasing function, and fully supported by documentation. In addition, appropriate controls are in place to ensure employees are

only reimbursed for properly approved expenses supported by documentation. Also, we noted the amounts LAHSA received from the funding agencies for program cost reimbursement agreed to the amounts on its claiming documents.

Finally, LAHSA staff continually updates an expenditure control worksheet that compares approved funding allocations to actual and planned program expenditures in order to monitor cash flow. In reviewing the expenditure control worksheet, we did not note instances in which anticipated shortfalls in funding are expected.

Although our review did not disclose any deficiencies that would negatively impact LAHSA's fiscal operations, management needed to strengthen its internal controls and procedures over bus tokens. LAHSA maintains a supply of bus tokens to assist homeless clients at encampment sites with transportation on an emergency or immediate need basis. According to LAHSA staff, they distribute approximately $300 in bus tokens per month. On December 13, 2001, we conducted a physical count of LAHSA's bus token inventory and noted that LAHSA had approximately $500 more in inventory than LAHSA's records indicated. LAHSA staff could not explain the difference. In addition, we found that access to the bus tokens is not restricted to authorized personnel.

Based on our findings, LAHSA developed new procedures to improve accountability over bus token disbursements. In addition, LAHSA indicated that monthly reconciliations of the bus token inventory will be conducted and an individual independent of the custodianship will review the reconciliations. Finally, LAHSA improved its controls to limit access to the bus token inventory to only authorized staff.

If you have any questions, please call me or have your staff contact DeWitt Roberts at (213) 974-0301.

JTM:DR:DC

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Los Angeles Homeless Services Authority
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