COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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June 4, 2003

TO: Supervisor Yvonne Brathwaite Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **LOS ANGELES HOMELESS SERVICES AUTHORITY SEMI-ANNUAL FINANCIAL REVIEW**

We have completed a financial review of the Los Angeles Homeless Services Authority (LAHSA or Agency) for the period of July 1, 2002 through December 31, 2002. Our review included evaluating LAHSA's internal controls over revenue collections and disbursements. We also evaluated the timeliness in which LAHSA submits claims to the funding sources and reimburses the sub-agencies when the funds are received. Finally, we reviewed the controls used by LAHSA to ensure the sub-agencies do not exceed their funding allocations.

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 JPA, the Auditor-Controller is required to conduct a semi-annual review during the second and third years. This is our first semi-annual review.

Results of Review

LAHSA continues to comply with established fiscal policies and procedures. LAHSA staff has continuously updated expenditure control worksheets that compare approved funding allocations to actual program expenditures and detected instances in which sub-agencies are projected to exceed their funding allocation. In reviewing the expenditure control worksheet, we did not note instances in which sub-agencies exceeded their original funding allocation. LAHSA also submits claims for reimbursement to the funding sources and, when funding is received, forwards the appropriate amounts to the sub-agencies in a timely manner. In addition, LAHSA's

vendor payments are properly authorized and fully supported by adequate documentation.

Although our review did not disclose any deficiencies that would negatively impact LAHSA's fiscal operations, management needs to strengthen its internal controls over cash. In July 2002, LAHSA's decided not to fill the vacant Controller position. The responsibilities assigned to that position were split between the Chief Financial Officer (CFO) and the Accounting Analyst. During our review, we noted that the additional responsibilities permit the CFO to co-sign checks and prepare the monthly bank account reconciliation. We also noted that the second individual that co-signs checks also approves the reconciliation. To strengthen internal controls over cash, the monthly reconciliations should be performed/approved by an individual with no check writing responsibilities.

If you have any questions, please call me or have your staff contact DeWitt Roberts at (626) 293-1101.

JTM:DR:DC

c: David E. Janssen, Chief Administrative Officer
Los Angeles Homeless Services Authority
Mitchell Netburn, Executive Director
Sandra Roberts, Chief Financial Officer
Violet Varona-Lukens, Executive Officer
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