COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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September 28, 2011

TO: All Department Heads

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **REPORT OF MONIES OWED TO THIRD PARTIES AS OF JUNE 30, 2011**

On February 23, 1999, the Board directed the Auditor-Controller and County Counsel to coordinate a County-wide annual report of monies owed to third parties.

In conjunction with County Counsel, we have developed the attached questionnaire and departmental instructions for reporting these amounts to our office. We will use this information to compile a County-wide report to the Board.

The objective of the report is to ensure that County liabilities, beyond the day-to-day vendor payables, are identified and properly recorded in the County's accounting records. We also want to ensure that appropriate actions have been taken to resolve the issue(s) that caused the liabilities.

Examples of such liabilities include:

- Deferred revenues (revenues which have been earned, but are not collectible within one year after June 30).
- Advances payable (monies advanced to the County which have not been earned yet).
- Amounts owed to third parties, such as the State or federal government, due to overbilling or disallowed claims.

Consistent with other year-end closing information, we are asking departments to provide the information requested as of June 30, 2011 (including the effect of final 13th period transactions).

The Auditor-Controller's Shared Services Division provides accounting and other related services for some departments. Shared Services is available to assist those departments in providing information regarding the status of account balances, if necessary. However, each department remains responsible for ensuring their compliance with the attached requirements. Accordingly, **we will require a response to each item from all Shared Services clients.**

Your response should be in letter form and signed by you and your chief financial officer. Please address your response to the **Auditor-Controller and County Counsel** and deliver it via email to Fernando Lemus at the following address:

flemus@auditor.lacounty.gov

Please return the completed questionnaire to us by October 31, 2011, so we can consolidate the information, and report to the Board in a timely manner.

Thank you for your cooperation. Please call me if you have any questions, or your staff may contact Fernando Lemus at (213) 253-0155.

WLW:JLS:RGC:MP:FL
H:\BOS \3rd Party Liabilities\FY2011\Report Monies Owed.doc

Attachment

c: William T Fujioka, Chief Executive Officer
Andrea Sheridan Ordin, County Counsel
Sachi A. Hamai, Executive Officer, Board of Supervisors
Audit Committee

DEPARTMENTAL QUESTIONNAIRE
MONIES OWED TO THIRD PARTIES

In letter form, please respond to each of the following questions in the format shown below. For your convenience, a brief explanation appears below each question. If a question is not applicable to your department, please indicate this in your reply.

The response letter must be signed by the Department Head and Chief Financial Officer. The letter is due to the Auditor- Controller by October 31, 2011.

1. Has your department reported deferred revenues, advances payable, or third-party liabilities, which have been recorded on the Countywide Accounting and Purchasing System (eCAPS) as of June 30, 2011? If yes, describe the nature and amount of each liability recorded (attach additional schedules as needed). Also, if the liability balance(s) differs by 10% and $100,000 from last year's reported balance(s), please provide an explanation for the change.

Several departments use these balance sheet accounts to record liabilities. The purpose of this question is to confirm these amounts, and obtain additional details about them. Departments that use these accounts should describe the name of the program, the funding source, the amount(s), and each fiscal year to which the liabilities pertain, and the eCAPS funds and account numbers to which the liabilities have been posted.

For each program, provide a brief description of the issues that caused the liability, whether additional liabilities continue to be incurred, and any actions taken or proposed relative to payment of the amounts owed.

2. Were monies held in a trust fund or account as of June 30, 2011, as a result of potential liabilities to the State, federal government, or other third party? If yes, describe the nature and amount of each liability, and indicate the trust fund or account number(s) in which the funds were held. Also, if fund balance(s) differs by 10% and $100,000 from last years reported balance(s) please provide an explanation for the change.

Most departments hold funds temporarily in trust until such time as they have earned the revenues, and identified the operating accounts to be credited. The purpose of this question is to ascertain whether funds are being held in trust to provide for an unrecorded liability or potential liability. It is not necessary to report funds that are held in a trust fund or account for fiduciary purposes only. If there is uncertainty as to whether the amounts are operating or fiduciary in nature, all amounts should be reported and explained.

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3. Aside from the disclosures provided in items 1 and 2 above, are there any revenues that have been recognized in the 2010-2011 (or prior years') financial records that may be subject to repayment or refund? If yes, describe the nature and amounts of these items.

The purpose of this question is to identify liabilities that have not been funded. Departments may be aware of revenues that may be subject to repayment or refund, but have not taken actions to establish a liability. If there are uncertainties regarding the final outcome of the issue, or you are unable to reasonably estimate the amount of the liability, please provide as much information as possible.

4. Have all earned revenues been cleared from trust accounts and recorded as part of your department's 2010-2011 revenues?

This question is to ensure that trust accounts have been reviewed, that all earned revenues have been recorded in the proper time period, and that monies earned by the County have been cleared from trust, and are not being deferred to provide for future unmet needs.

5. Are there any other unrecorded liabilities that have not been recorded or disclosed?

Please explain any other liabilities of which you are aware, and which have not been reflected on eCAPS or disclosed as part of your responses to the previous questions.