

REVISED MOTION BY SUPERVISORS KATHRYN BARGER AND LINDSEY P. HORVATH

November 26, 2024

Presentation on Los Angeles Homeless Authority Audit Results and update on Measure A

The Los Angeles Homeless Services Authority (LAHSA) is a joint powers authority of the County of Los Angeles (County) and the City of Los Angeles (City) created in December 1993 to address homelessness in the region. LAHSA coordinates and manages federal, State, County, and City funds for programs that provide various services to people experiencing homelessness. LAHSA, as the lead agency for the Los Angeles Continuum of Care, plays a critical role in efforts to reduce homelessness. As a steward of City and County funds, LAHSA must demonstrate transparency, accountability, and operational efficiency.

Over the past several years, LAHSA has experienced challenges and undertaken significant steps to enhance its effectiveness, beginning with recent changes in its leadership and governance. Additionally, the Mayor of Los Angeles and two County Supervisors joined the LAHSA Commission to better understand the homeless services system and its governance challenges. These efforts helped enhance accountability, transparency and support for the fulfillment of the agency’s mandates.

In February 2024, the Los Angeles County Board of Supervisors directed the Auditor-Controller to conduct a financial audit of LAHSA and provide a comprehensive evaluation of the agency’s financial health and practices, offering crucial insights to support the incoming executive leadership and ensure sound fiscal management. Key operational areas of focus included Finance, Contracts and Procurement, Risk Management, and Grants Management and Compliance.

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In completing that audit, the Auditor-Controller noted significant findings and opportunities for LAHSA to improve and strengthen operational controls and processes. Several of these findings are deeply concerning and warrant further discussion by this Board. Especially in light of the recent passage of Measure A, a localized sales tax intended to address homelessness. According to the Auditor-Controller, LAHSA:

- Awarded \$50.8 million in Measure H working capital (multi-year) cash advances to various subrecipients beginning in Fiscal Year (FY) 2017-18 and did not establish formal agreements to determine how and when the funds would be repaid. As a result, while LAHSA indicated they initiated efforts to recoup the funds in FY 2023-24, some subrecipients cited cash flow issues, and LAHSA only recovered approximately \$2.5 million (5%) as of July 8, 2024.
- Did not always recover annual cash advances awarded to subrecipients at year-end as required, and as of July 2024, had approximately \$8 million in outstanding advances issued to subrecipients for the City of Los Angeles (City), County, and State programs that were carried over from FYs 2016-17 through 2022-23. Of the \$8 million, approximately \$409,000 is with six subrecipients who no longer contract with LAHSA.
- Did not always pay subrecipients timely even when the funds were available, whereas in other instances, inappropriately used funding from other sources to pay subrecipients prior to receiving reimbursement from the actual funder.
- Did not always maintain adequate records for working capital advances. Specifically, we selected a sample of working capital advances to validate the accuracy of LAHSA's accounting records and noted that LAHSA understated the amounts awarded to two subrecipients by \$505,591, and did not provide adequate supporting documentation for approximately \$5 million in advances awarded to five subrecipients.
- Could not provide comprehensive contract data (e.g., an accurate list of all contracts, execution dates, etc.) to determine the total number of contracts that were executed either timely or retroactively in FY 2023-24. In addition, we noted instances where contracts were executed excessively late and the delays were due to issues concerning LAHSA's internal contracting processes.
- Did not develop an adequate contract monitoring plan to ensure effective oversight of their subrecipients. In addition, due to a lack of standards for conducting and documenting the results of their contract monitoring reviews, we could not determine whether LAHSA adequately monitored all their contracts to ensure subrecipients complied with their contract terms.

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According to LAHSA's audited financial statements for the Fiscal Year (FY) ended June 30, 2023, the majority of LAHSA's funding comes from the County and City, totaling approximately \$246 million and \$234 million, respectively. With the results of the County audit and the passage of Measure A, it is essential that the Board of Supervisors convene a special, set matter to discuss the Auditor Controller's LAHSA report and the investment of Measure A dollars.

WE I, THEREFORE, MOVE that the Board of Supervisors direct the Auditor-Controller to present the Los Angeles Homeless Services Authority audit findings at the November 26 Board of Supervisors Meeting.

WE I, FURTHER, MOVE that the Board of Supervisors instruct the Chief Executive Officer to provide an update on the passage of Measure A and the financial implications for the County homeless services at the November 26 Board of Supervisors Meeting.

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