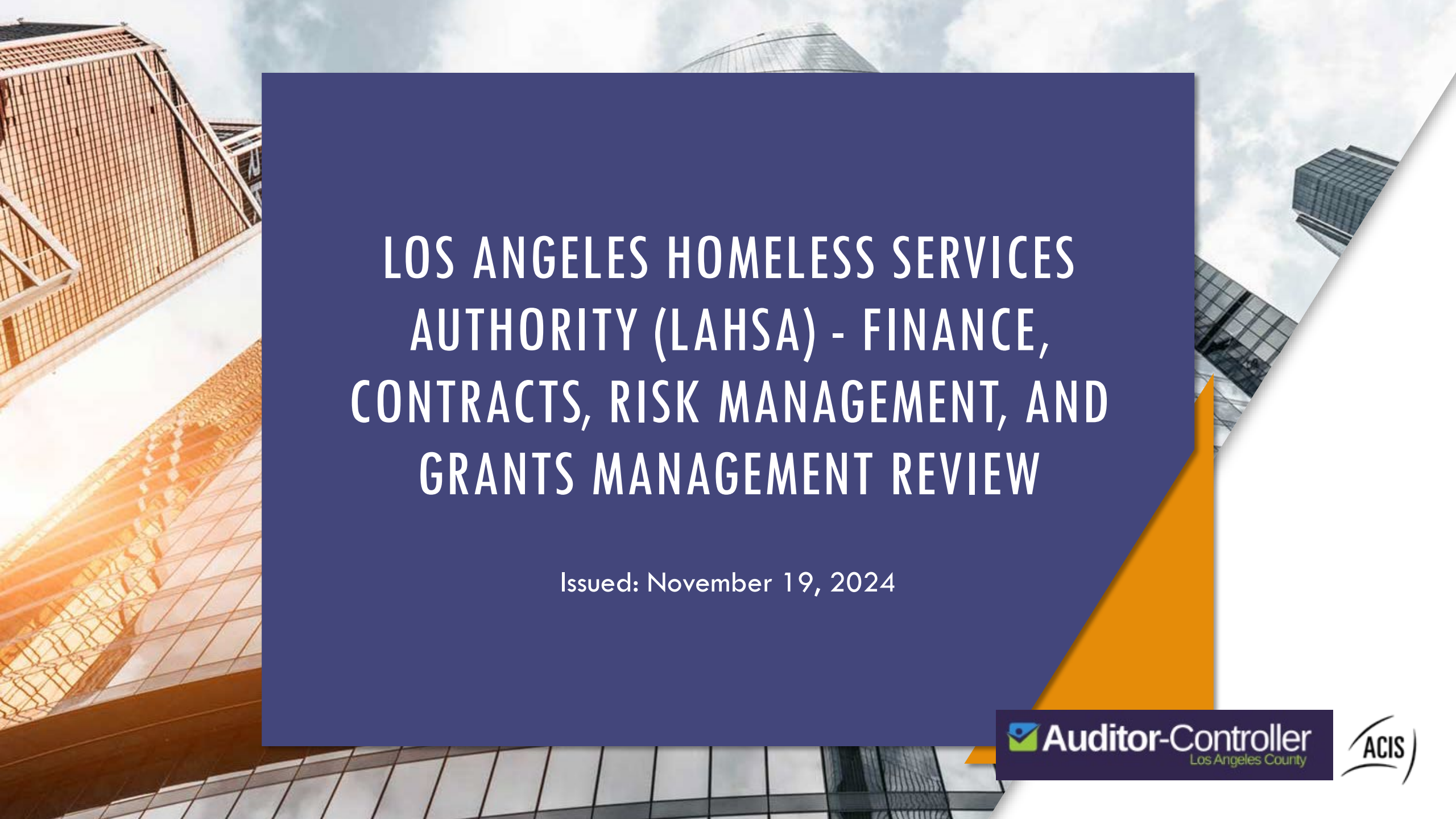




LOS ANGELES HOMELESS SERVICES AUTHORITY (LAHSA) - FINANCE, CONTRACTS, RISK MANAGEMENT, AND GRANTS MANAGEMENT REVIEW

Issued: November 19, 2024

SCOPE OF WORK

February 27, 2024 Board Motion

BOARD MOTION

- Auditor-Controller (A-C), in collaboration with the Chief Executive Office (CEO), relevant County departments, and LAHSA, conduct an audit of LAHSA's fiscal operations.
- Report back within 60 days with a detailed scope of work.

A-C's REPORT BACK (April 23, 2024)

- In collaboration with the CEO and LAHSA, A-C identified key focus areas for inclusion in the audit scope:
 - Finance
 - Contracts
 - Risk Management
 - Grants Management
 - Compliance

The audit was intended to provide useful information and recommendations to assist LAHSA management strengthen the agency's fiscal operations, business processes, and controls over public funds and critical services.

AUDIT APPROACH & KEY MILESTONES

- Independent, objective review based on information and evidence provided by LAHSA
- Conducted fieldwork onsite at LAHSA facilities, working directly with LAHSA staff and management to gather information and documentation
- Provided ongoing updates to LAHSA management about outstanding information requests and preliminary findings throughout the audit process
- LAHSA personnel and management were helpful and responsive to A-C requests
- 9/11/2024: Provided draft audit report findings and recommendations to CEO Homeless Initiative for feedback
- 10/8/2024: Held a formal exit conference with LAHSA management to discuss each finding, review the entire report, and resolve errors and omissions. **No material disagreements or factual errors were raised by LAHSA during the exit.**
- 11/7/2024: Received LAHSA's formal written response to the audit
- 11/19/2024: Issued final audit report

ISSUES AND PRIORITY RANKINGS

Issue No.	Priority Ranking	Issue Description	LAHSA's Response
1	One	Did Not Establish Agreements for Working Capital Advances	Disagree
2	One	Did Not Recoup Annual Cash Advances	Partially Disagree
3	One	Inadequate Contract Data	Agree
4	One	Inadequate Controls Over Cash Advances	Partially Disagree
5	One	Inappropriate Use of Funds	Disagree
6	One	Late Payments to Subrecipients	Agree
7	One	Record-keeping Deficiencies - Working Capital Advances	Agree
8	One	Retroactive Contracts	Disagree
9	One	Inadequate Contract Monitoring Plan	Disagree
10	One	Lack of Contract Monitoring Standards	Agree
11	Two	Delays with Reimbursement Claims	Agree
12	Two	Did Not Complete Planned Audits	Partially Disagree
13	Two	Internal Audit Risk Assessment Not Completed Annually	Partially Disagree
14	Three	Internal Audit Independence	Partially Disagree
15	Three	No Quality Assurance and Improvement Program	Partially Disagree
16	Three	Key Performance Indicators Not Established	Partially Disagree

SUMMARY OF KEY FINDINGS

Working Capital (Multi-year) Cash Advances

- 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.
- 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.

Recommendations

- Work with subrecipients to establish agreements with repayment terms for all outstanding working capital advances.
- Provide the County CEO with quarterly updates until all advanced funds are repaid.

SUMMARY OF KEY FINDINGS (CONTINUED)

Annual Cash Advances

- LAHSA 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 that were carried over from FYs 2016-17 through 2022-23.
- Of the \$8 million, approximately \$409,000 was advanced to six subrecipients who no longer contract with LAHSA.

Recommendations

- Work with subrecipients who have overdue outstanding cash advances to recover funds.
- Ensure annual cash advances are recouped annually.
- Consult with legal counsel regarding options for recouping outstanding cash advances with subrecipients who no longer contract with LAHSA.

SUMMARY OF KEY FINDINGS (CONTINUED)

Inadequate Contract Data and Retroactive Contracts

- LAHSA 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.
- We identified contracts were executed excessively late and the delays were due to issues concerning LAHSA's internal contracting processes.

Recommendations

- Ensure key contract information is adequately tracked, reliable, and accurate.
- Identify internal delays in the contracting process and implement improvements to enhance the timeliness of contract executions.
- Work with funding sources, where applicable, to identify possible solutions for funding approval delays to minimize retroactive contracting.

SUMMARY OF KEY FINDINGS (CONTINUED)

Contract Monitoring Issues

- LAHSA did not have an adequate contract monitoring plan to ensure effective oversight of subrecipients.
- 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 contracts to ensure subrecipients complied with contract terms.

Recommendations

- Establish a standardized risk assessment process to use in developing annual contract monitoring plans.
- Actively track the status of all contract monitoring reviews and measure performance against their contract monitoring plans at year-end.
- Implement a notification process to ensure that the Contract Compliance Unit is notified of newly executed contracts.
- Ensure subrecipients are monitored for all key contract requirements (e.g., programmatic requirements).
- Ensure adequate workpapers are maintained for all contract monitoring reviews, and consider the use of audit workpaper software to ensure consistency and efficiency.
- Contract monitoring reviews are properly supervised, and evidence of supervision is documented.

LOS ANGELES HOMELESS SERVICES AUTHORITY

FINANCE, CONTRACTS, RISK MANAGEMENT, AND GRANTS MANAGEMENT REVIEW

The full report can be found on our website at: <https://auditor.lacounty.gov>

Questions?