

MOTION BY SUPERVISOR LINDSEY P. HORVATH

March 3, 2026

Fiscal Accountability and Emergency Oversight of Los Angeles Homeless

Services Authority Operations

The Los Angeles Homeless Service Authority (LAHSA) was created in 1993 as a Joint Powers Authority of the County and City of Los Angeles to administer public funding for the homeless services system. Specifically, it was designed to administer \$2.5 million dollars of funding to be contributed by both the County and the City of Los Angeles, and was limited in scope to only a few programs including winter shelter. Since its inception, the agency has grown significantly as the humanitarian crisis of homelessness has increased, as well as related investment, including dedicated funds through voter-approved sales tax measures. The challenges with LAHSA’s financial structure have concurrently increased, as the result of a complex network of braided funding that is reliant on timely payments from the agency’s funders and LAHSA’s often impacted ability to process a substantive number of invoices.

In May 2024, as issues with delayed payments reached a critical moment that threatened the functioning and existence of the network of homeless services providers, LAHSA and a panel of providers were invited before the Board of Supervisors (Board) to

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discuss the ongoing issues with deferred payments and the reimbursement model. The County heard the challenges and changed the payment model, creating a new process in just 27 days that now provides quarterly advances to LAHSA at 80% of the funding allocation. LAHSA then provides the advances to providers on a monthly basis, reconciling invoices against the advances each quarter.

In 2024, the Board of Supervisors also directed an audit of LAHSA's fiscal operations. The results of the audit were released in November 2024, and identified issues including that LAHSA did not always recover annual cash advances at year-end, as required; did not always pay subrecipients timely, even when the funds were available; could not provide comprehensive contract data; and did not develop an adequate contract monitoring plan to ensure effective oversight of their subrecipients. This was not the first time audits and financial reviews had found similar to concerns at LAHSA. Multiple previous reviews had raised these issues, yet they still continued.

LAHSA worked on a corrective action plan; partnered with the County to develop the advanced payment model; and committed to effective, transparent funding practices. Despite these efforts, providers continue to have millions of dollars of unpaid invoices awaiting payment from LAHSA, even though County funding was advanced and available for LAHSA to pay on County programs.

Although the Board launched the Department of Homeless Services and Housing on January 1, 2026, and will be directly contracting with service providers in FY 26-27 and administering only limited funds through LAHSA, there remain significant balances of County funding still to be processed by LAHSA and distributed to providers contracted to perform County-funded programming through June 30, 2026.

Given LAHSA's fiscal challenges again threatening the homeless service providers' financial health and solvency; LAHSA's inability to oversee a financial operation in compliance with County agreements; and LAHSA's delays in providing financial information, the County CEO alerted LAHSA on February 25, 2026, that they would be embedding County staff at LAHSA to evaluate and review financial and operational processes, and to assess their compliance with the restructured Operating Agreement and the Measure A Funding Agreement.

I, THEREFORE, MOVE that the Board of Supervisors direct the Chief Executive Officer, the Director of the Department of Homeless Services and Housing, and the Auditor-Controller to:

1. Develop and directly oversee a plan to pay providers as directed by County/LAHSA agreements until all County funds have been paid to providers for work performed under County-funded programs;
2. Use Auditor-Controller's Provisional Financing Uses (PFU) account dedicated to "Board-Ordered Audits," to fund the embedding of staff to address fiscal issues; and
3. Provide a verbal presentation of the analysis, corrective action plan, and hands-on County oversight to ensure timely contractor payments and transparent, effective financial processes to the Board of Supervisors at the April 14, 2026 Board Meeting.

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