BOARD OF SUPERVISORS | Hilda L. Solis, First District | Holly J. Mitchell, Second District | Lindsey P. Horvath, Third District | Janice Hahn, Fourth District | Kathryn Barger, Fifth District

Chief Executive Office.

COUNTY OF LOS ANGELES
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, CA 90012
(213) 974-1101 ceo.lacounty.gov

ACTING CHIEF EXECUTIVE OFFICER
Joseph M. Nicchitta

RECEIVED AND FILED

April 13, 2026

To: Supervisor Hilda L. Solis, Chair
Supervisor Holly J. Mitchell, Chair Pro Tem
Supervisor Lindsey P. Horvath
Supervisor Janice Hahn
Supervisors Kathryn Barger

From: Joseph M. Nicchitta
Acting Chief Executive Officer

Oscar Valdez
Auditor-Controller

Sarah Mahin
Homeless Services and Housing

FISCAL ACCOUNTABILITY AND EMERGENCY OVERSIGHT OF LOS ANGELES HOMELESS SERVICES AUTHORITY OPERATIONS (RELATES TO ITEM NO. 20, AGENDA OF APRIL 14, 2026)

On March 3, 2026, the Board of Supervisors (Board) adopted a motion directing the Chief Executive Officer (CEO), the Director of Homeless Services and Housing (HSH), and the Auditor-Controller (A-C) to:

1. Develop and directly oversee a plan to pay providers as directed by County of Los Angeles (County) and Los Angeles Homeless Services Authority (LAHSA) agreements until all County funds have been paid to providers for work performed under County-funded programs;
2. Use the 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 at the April 14, 2026, Board Meeting.

Audit Review Status Update

On February 25, 2026, the CEO notified LAHSA that the County would initiate a review of its financial and operational processes. That review was initiated on March 3, 2026, and included an evaluation of LAHSA's financial records, current financial position, and resources, as well as an assessment of key business processes related to contractor advances, claiming, and payments.

The A-C concluded fieldwork and provided preliminary findings to LAHSA on March 24, 2026. The A-C subsequently provided a draft report to LAHSA on April 13, 2026, containing detailed findings and recommendations.

LAHSA informed the A-C that competing resource demands, including issues related to finalizing and issuing their Single Audit, impacted their ability to provide certain records and an immediate response to the findings. The A-C is working with LAHSA pursuant to its standard audit resolution process, including review, validation, and formal response to findings and recommendations and intends to issue a final report by May 22, 2026.

Until that process is complete, it would be premature and inconsistent with the A-C's standard audit protocols to publicly release or discuss preliminary findings. To allow for a complete and accurate review, including LAHSA's opportunity to respond, the County will defer public discussion of findings until the audit process is complete.

Plan to Ensure Timely Payment of Providers (Revised Payment Framework)

While the report of the A-C's review is with LAHSA pending their response, insights into existing processes developed during the review allow the County to recommend and begin implementing targeted improvements to accelerate payments. These actions are based on observations still under review by LAHSA and to which they have not yet provided a formal response and accordingly do not preclude or prejudge the final findings and recommendations.

Informed by those insights, we determined that the most effective way to ensure timely advances and payments for County-funded LAHSA contracts is to modify and streamline LAHSA's existing payment process. Specifically, we developed an

expedited contractor payment framework (Attachment) to accelerate the issuance of contractor advances through the end of the Fiscal Year, when County-funded services will transition from LAHSA to HSH.

That framework:

- Reduces the immediate administrative burden associated with issuing advance payments;
- Maintains accountability safeguards by requiring invoice review and reconciliation requirements; and
- Resequences key controls so that payments can be issued more quickly while maintaining appropriate oversight.

This framework allows LAHSA to manage workload and capacity constraints that may have contributed to prior payment delays, while maintaining fiscal integrity. The framework was presented to LAHSA which indicated general concurrence that this approach would significantly reduce the risk of advance payment delays, while noting that staffing capacity constraints may impact implementation.

Embedded Oversight and Staffing Support

To support implementation of the expedited payment framework and provide additional assurance that payments are issued timely, the A-C and HSH have identified a retired County executive with extensive accounting, fiscal oversight, and government finance expertise to be embedded at LAHSA. This individual will be embedded at LAHSA in an advisory and monitoring capacity, with access to relevant County-funded financial data and processes to support monitoring and payment processing. The advisor will not direct LAHSA staff or contractors but will coordinate with LAHSA leadership to identify issues, elevate risks, and support timely payment execution. HSH has initiated the hiring and onboarding process for this individual and anticipates having the individual in place by May 1, 2026.

LAHSA has also informed the County of difficulty hiring staff to support core fiscal and budget functions. To help address these capacity constraints, the CEO, A-C, and HSH are actively soliciting qualified groups of individuals, including recently retired County workforce members with relevant experience and the requisite technical knowledge and skills, to augment LAHSA's fiscal and budget operations.

We will refer individuals directly to LAHSA for hiring consideration on a rolling basis as candidates are identified.

The CEO, A-C, and HSH are committed to ensuring that LAHSA meets its obligations to the County and its contractors, and that the risk of future payment delays is minimized. This workgroup will continue to meet regularly to monitor

implementation of the revised payment framework, identify and respond to emerging risks and challenges, and support the interests of the County and County-funded providers through the transition of service delivery and funding from LAHSA to HSH.

JMN:JG:AU

Attachment

c: Executive Office, Board of Supervisors
County Counsel

COUNTY OF LOS ANGELES EXPEDITED CONTRACTOR PAYMENT FRAMEWORK (Streamlined Model – April–June 2026)

Executive Summary

This streamlined framework authorizes LAHSA to release monthly advances to contractors without requiring LAHSA complete a review of prior invoice submission. The model stabilizes provider cash flow while maintaining accountability through post-payment invoice submission, review, and reconciliation.

I. Purpose and Authority

This framework establishes an expedited payment process for County-funded LAHSA contractors during the April–June 2026 transition period. It is issued pursuant to Board of Supervisors March 3, 2026 motion (Item 79-A) directing immediate corrective action to ensure timely contractor payments.

II. Expedited Advance Payment Model

A. Policy

LAHSA is authorized to release monthly advance payments without first reconciling the supporting prior period invoice, when eligibility conditions are met. Advances shall be issued on the regular payment schedule to ensure continuity of services.

B. Eligibility Criteria

LAHSA may release an advance when all of the following conditions are met:

• Contractor is in good standing and actively delivering services.

• Contractor has remaining funding available under its contract and the advance in question, combined with all prior advances and invoices paid to date, will not exceed their total contract amount.

• Contractor is not more than one (1) month delinquent in submitting required invoices

C. Timing

Advances shall be released on the standard monthly schedule without delay for invoice review.

D. Post-Payment Requirements

LAHSA shall obtain all required invoices, follow-up as part of their routine contract monitoring process on delinquent invoices, complete detailed invoice review, verify service delivery and cost eligibility, and reconcile all advances to actual expenditures. All invoices should be reviewed within 30 days of receipt.

E. Reconciliation and Recovery

If review identifies unsupported or ineligible costs, LAHSA shall offset future payments or initiate recovery actions.

III. County Support and Oversight

The County will embed a manager with subject matter expertise in accounting, oversight, and government finance to oversee this process and represent the County's interests. HSH staff may provide support to LAHSA to assist with invoice review backlog, if needed, and ensure timely reconciliation. Oversight shall include monitoring compliance, reviewing reports, and ensuring audit readiness.

IV. Record Keeping Requirements

LAHSA shall maintain basic accounting records including invoice aging, advances issued, reconciliation status, contractor-level payment tracking, and any other ledgers, journals and accounting records necessary to provide for strict accountability of all funds and report of all receipts and disbursements as required by law.

V. Duration

This framework remains in effect through June 30, 2026 unless extended or superseded by the County.

BOARD OF SUPERVISORS | Hilda L. Solis, First District | Holly J. Mitchell, Second District | Lindsey P. Horvath, Third District | Janice Hahn, Fourth District | Kathryn Barger, Fifth District

Chief Executive Office.

COUNTY OF LOS ANGELES
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500 West Temple Street, Room 713, Los Angeles, CA 90012
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CHIEF EXECUTIVE OFFICER
Joseph M. Nicchitta

June 1, 2026

TO: Supervisor Hilda L. Solis, Chair
Supervisor Holly J. Mitchell, Chair Pro Tem
Supervisor Lindsey P. Horvath
Supervisor Janice Hahn
Supervisor Kathryn Barger

FROM: Joseph M. Nicchitta
Chief Executive Officer

Joseph M. Nicchitta (May 31, 2026 13:14:16 PDT)

REPORT BACK ON FISCAL ACCOUNTABILITY AND EMERGENCY OVERSIGHT OF LOS ANGELES HOMELESS SERVICES AUTHORITY OPERATIONS (ITEM NO. 79-A, AGENDA OF MARCH 3, 2026)

On March 3, 2026, the Board of Supervisors (Board) adopted a motion regarding the Fiscal Accountability and Emergency Oversight of Los Angeles Homeless Services Authority (LAHSA) Operations, which directed the Chief Executive Officer, in coordination with the Department of Homeless Services and Housing (HSH) and the Auditor-Controller (A-C), to ensure timely payment of County-funded providers, embed County staff to address fiscal and operational deficiencies at LAHSA, and oversee corrective actions necessary to stabilize LAHSA's financial processes. The Chief Executive Office's (CEO) initial report back submitted on April 13, 2026, and verbal presentation on April 14, 2026, provided the Board with an update on the early steps taken to fulfill these directives, including the initiation of the A-C's review and the development of interim payment-stabilization measures.

Consistent with the responsibilities assigned to the CEO under the motion, this memorandum highlights the County's efforts to support LAHSA's fiscal stabilization and strengthen oversight during this period of heightened intervention, and, with the A-C's review now complete (see Attachment), it also acknowledges the findings, and identifies the next steps needed to ensure continued compliance and fiscal accountability.

The A-C's review of LAHSA's financial records and condition has found meaningful gaps in reporting and monitoring that raise concerns about the risk of undetected errors and financial mismanagement, as well as noncompliance with LAHSA's Operational Agreement and potential noncompliance with applicable law. A lack of timely reconciliations may have resulted in overpayments to some providers. Cash flow from various government funders is being held in a single account and funds from one funding jurisdiction may have been used at least once to temporarily cover another jurisdiction's shortfall. LAHSA has indicated agreement to each of the A-C's findings, with a commitment to implementing corrective actions.

These findings inform our next steps as the County prepares to withdraw homeless funding from LAHSA at the end of the 2025-26 fiscal year. Our focus remains supporting LAHSA and ensuring it meets its contractual commitments to the County and County-funded providers. We are also looking ahead to the end of the fiscal year and taking steps to support LAHSA's timely reconciliation and closeout of County-funded provider contracts. These steps are consistent with the A-C's findings.

Prior to receiving the A-C's final report, and in coordination with LAHSA leadership given their status as an independent legal entity, CEO and HSH proactively initiated steps to stabilize LAHSA's fiscal operations in response to ongoing delays in invoice processing, advance payments, and reconciliation activities. These actions include:

- Connecting LAHSA leadership with a pool of qualified County retirees with extensive fiscal and accounting experience to help address staffing shortages and operational gaps.
- Receiving confirmation from LAHSA that they have begun interviewing candidates from the County-provided retiree list to support their fiscal operations.
- Understanding from LAHSA that they may redeploy internal staff to assist with completing critical fiscal functions while recruitment and onboarding efforts continue.
- Streamlining the contractor advance payment process to ensure County-funded contractors received timely advance payments as required by the operating agreement between the County and LAHSA.

These efforts were undertaken to help LAHSA address immediate operational challenges and to mitigate disruptions to service provider payments. Given the seriousness of the issues identified by the A-C, the County will implement these additional oversight measures to safeguard public funds and ensure uninterrupted payment to County-funded service providers:

- Embedding HSH Fiscal Staff: In collaboration with LAHSA, HSH will deploy its own personnel to LAHSA to support the necessary fiscal review, monitoring, and reconciliation functions required under the operating agreement and Measure A funding agreement.

- Direct Monitoring of Requests and Draw-Downs: HSH will support the monitoring of LAHSA's funding requests, draw-downs, and payment processes to ensure accuracy, timeliness, and compliance with County requirements.
- Making HSH Staff Available for Final Reconciliation: HSH will make staff available to support FY 2025-26 closeout activities. Given that LAHSA is a sperate and distinct entity, this hands-on work is contingent upon LAHSA leadership agreeing to allow embedded County personnel to perform this function. We continue to work closely with LAHSA to move this strategy forward.

These actions are intended to strengthen fiscal accountability, ensure timely payments to service providers, and support the continuity of homelessness services. My office will continue to work closely with HSH, A-C, and LAHSA to ensure that corrective actions are fully implemented and that the issues identified in the A-C's review are addressed with urgency, with strengthened fiscal controls, improved transparency, and timely payments to service providers remaining immediate priorities.

Should you have any questions concerning this matter, please contact me or Jeramy Gray at (213) 974-4532 or jgray@ceo.lacounty.gov.

JMN:JG
MG:hk

Attachment

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Homeless Services and Housing

ATTACHMENT

COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

OSCAR VALDEZ
AUDITOR-CONTROLLER

CONNIE YEE
CHIEF DEPUTY AUDITOR-CONTROLLER

NUMBER OF RECOMMENDATIONS	
PRIORITY 1	7
PRIORITY 2	0
PRIORITY 3	0

May 21, 2026

TO: Each Supervisor

FROM: Oscar Valdez
Auditor-Controller

Robert G. Campbell
Assistant Auditor-Controller / Chief Audit Executive

SUBJECT: **LOS ANGELES HOMELESS SERVICES AUTHORITY – FINANCIAL AND OPERATIONAL PROCESS REVIEW (March 3, 2026, Board Agenda Item 79-A)**

On February 25, 2026, the Chief Executive Office (CEO) notified the Los Angeles Homeless Services Authority (LAHSA) that the County would initiate a review of its financial and operational processes and assess compliance with the restructured Operational Agreement and Measure A Funding Agreement between the County and LAHSA. This review was prompted by delays in invoice processing and payment issuance to County-funded service providers, and failures to draw down funds to support scheduled advance payments at the end of January 2026. The notification also indicated that this review would be completed within approximately two weeks. Subsequently, on March 3, 2026, the Board of Supervisors (Board) instructed the Interim CEO, Director of the Department of Homeless Services and Housing (HSH), and the Auditor-Controller (A-C) to develop and oversee a plan to pay County-funded LAHSA providers and to report back on the A-C's analysis and corrective action plan, and County oversight to ensure timely contractor payments and transparent, effective financial processes on April 14, 2026.

Our review included evaluating LAHSA's financial records and condition for the period from July 1, 2025 to the latest available records at the time of our review, interviewing LAHSA management and staff, and conducting walkthroughs of LAHSA's processes for submitting claims to draw down advance funds, issuing advances and payments to County service providers, processing invoices, and performing quarterly reconciliations of advance funds and invoiced expenditures. We also attempted to evaluate LAHSA's current financial position using their financial statements and accounting records. However, LAHSA was unable to provide complete financial statements and accounting records, including a balance sheet, which prevented us from conducting a full-scope review.

FAST FACTS

LAHSA is a joint powers authority created in December 1993 by the City and County of Los Angeles.

LAHSA receives funding from the County of Los Angeles, City of Los Angeles, State, and federal governments.

For Fiscal Year ended June 30, 2026, LAHSA's total budget was approximately $829 million.

Results of Review

We noted opportunities for LAHSA to improve their financial and operational processes and controls, which management has agreed to strengthen. For example, LAHSA will:

- Immediately update and maintain complete and accurate financial statements, and ensure supporting documentation are readily available to the County.
- Ensure County funds, which includes advances, are accurately reported and used for their intended purpose.
- Strengthen the accounts payable process by implementing controls such as regular monitoring of aged balances and prioritization of past due invoices, to ensure timely payment to County service providers, and continue coordinating with HSH to identify available funding for outstanding payables related to Measure H.
- Develop strategies to ensure payments to County-funded service providers are issued in a timely manner, including working with the HSH to identify feasible solutions for staffing vacancies.
- Continue to monitor service providers' invoices for timely submissions, including collaborating with HSH to identify the root causes for late invoices and opportunities to improve the timeliness of the invoice submission process.
- Consult with HSH to improve the quarterly reconciliation process, ensuring timely completion and identification of overpayments or underpayments and recoupment of excess advances to support efficient and accurate reconciliations.

Review of Report

We shared our report with LAHSA, the CEO, and HSH. For details of our review, see Attachment I. LAHSA's response, included in Attachment II, indicates general agreement with our findings and recommendations.

LAHSA's response also indicates that recommendations have either been implemented, are in the process of being implemented, or that corrective actions are ongoing. In addition, LAHSA indicated they will make accounting records available to the County, including a comprehensive trial balance and monthly reports of advances disbursed to service providers and related expenditures. However, as noted in our report, the information provided was insufficient to fully assess the Agency's financial condition or to confirm the extent of any overpayments or applicable recoupments necessary to support the reconciliation process. Given the significance of the issues identified, continued improvements and enhanced processes are critical to ensuring accountability, strengthening financial oversight, and supporting the continuity and success of homelessness services.

We thank LAHSA management and staff for their cooperation and assistance during our review. If you have any questions please call us, or your staff may contact Bill Evans at wevans@auditor.lacounty.gov.

OV:CY:RGC:BE:CG:meb

Attachments

c: Joseph M. Nicchitta, Chief Executive Officer
Edward Yen, Executive Officer, Board of Supervisors
Gita O'Neill, Interim Chief Executive Officer, LAHSA
Sarah Mahin, Director, Department of Homeless Services and Housing
Audit Committee
Countywide Communications

LOS ANGELES HOMELESS SERVICES AUTHORITY
FINANCIAL AND OPERATIONAL PROCESS REVIEW

Background

The Los Angeles Homeless Services Authority (LAHSA or Authority) is a joint powers authority (JPA) of the County of Los Angeles (County) and the City of Los Angeles (City), established 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 individuals experiencing homelessness. At the time of our review, LAHSA's audited financial statements and federally mandated Single Audit for Fiscal Year (FY) 2024-25 were not yet available. As a result, we relied on LAHSA's internal records, which indicate a total budget of approximately $829 million for FY 2025-26. LAHSA also reported that during FY 2025-26, the majority of LAHSA's funding comes from the County and City, totaling approximately $379 million (46%) and $290 million (35%), respectively.

In April 2025, the Board of Supervisors (Board) approved a motion to establish the Department of Homeless Services and Housing (HSH or Department), which officially launched on January 1, 2026. HSH was created to improve accountability and transparency and to support a centralized, integrated, and streamlined County approach to homelessness services. Beginning in FY 2026-27, the Department is expected to directly contract with service providers while administering limited funds through LAHSA. During this transition, it is critical for HSH to work closely with LAHSA to address the recommendations noted in this report, as many of the underlying issues may persist with the transfer of service provider contracts and responsibilities. Such coordination will help ensure that corrective actions are fully implemented and that improvements are sustained to ensure the continuity of homelessness services under HSH's new service delivery structure.

Review Scope

On February 25, 2026, the Chief Executive Office (CEO) notified LAHSA that the County would initiate a review of the Authority's financial and operational processes and assess compliance with the restructured Operational Agreement (OA) and Measure A Funding Agreement between the County and LAHSA. This review was prompted by delays in invoice processing and payment issuance reported by some County-funded service providers, and the untimely draw down of County funds to support scheduled advance payments at the end of January 2026. CEO's notification also indicated that this review would be completed within approximately two weeks.

Our review included evaluating selected LAHSA financial records covering the period July 1, 2025 to the most current information available at the time of our review; interviewing LAHSA management and staff; and conducting walkthroughs of the Authority's processes for preparing and submitting claims to draw down advance funds,

processing service provider invoices, issuing advances and payments to County service providers, and performing quarterly reconciliations of advance funds and invoiced expenditures. The purpose of this review was to identify immediate opportunities to shorten and streamline the advance payment process for County-funded LAHSA contractors, and to identify root causes – including business process, capacity, and control issues – which may have contributed to delayed LAHSA payments to providers. We also attempted to evaluate LAHSA's current financial position using their financial statements and accounting records, to assess whether that position may have contributed to payment issues. However, as noted below, LAHSA was unable to provide a complete set of perpetual financial statements or key accounting records, including a balance sheet, which prevented us from conducting a full-scope review.

Financial Records

Perpetual financial records are fundamental to demonstrate an organization's financial position, accountability, transparency, and responsible stewardship of public resources, and are particularly critical for large organizations with complex funding streams like LAHSA. Key documents and data, such as balance sheets, statement of revenues, expenditures, and changes in fund balance, cash flow statements, and supporting records, collectively provide a complete and accurate overview of an organization's financial activities and fiscal health. The OA requires LAHSA to maintain financial records that are complete and accurate and prepared in accordance with generally accepted accounting principles (GAAP). California Government Code (GC) 6500, et seq., the Joint Exercise of Powers Act, codifies standards and requirements applicable to JPAs, including LAHSA, and among other things requires that the JPA agreement "...provide for strict accountability of all funds and report of all receipts and disbursements."

Limited Financial Transparency

During our review, we made numerous requests for various financial statements and records to evaluate LAHSA's current financial position and operational performance, particularly with respect to service provider payments and accountability of County funds. While LAHSA provided some of the documentation, the Authority did not provide their complete unaudited balance sheet or a statement of revenues, expenditures, and changes in fund balance. As a result, we were unable to adequately assess LAHSA's financial condition or evaluate the effectiveness of LAHSA's financial management and oversight. This lack of transparency also raises broader concerns about the accessibility and completeness of LAHSA's financial records, increasing the risk of undetected errors, financial mismanagement, and noncompliance with the OA and indicating potential noncompliance with GC requirements.

Incomplete and Inaccurate Financial Records

As of March 5, 2026, LAHSA reported approximately $60.5 million in cash on hand, approximately $124.3 million in accounts receivable (money LAHSA indicated it had

fulfilled the necessary requirements to be paid but had not yet received, which LAHSA reported was due and payable primarily from government funders under the terms of their various agreements and contracts with LAHSA), and $78.5 million in accounts payable (money LAHSA reported owing at that point in time to service providers and vendors providing operating and administrative support). The largest accounts receivable balances LAHSA reported were due from the City of Los Angeles ($96.5 million) and the County ($27.8 million), and we requested both funders to confirm and reconcile the amounts reported by LAHSA. While the County or HSH was able to provide an accounting and reconciliation that generally validated the amounts reported by LAHSA, the City of Los Angeles Housing Department was able to validate only a portion of the accounts receivable amount reported by LAHSA and indicated that they were "still working with LAHSA and the service providers to determine the actual accounts receivable amounts," and could not provide confirmation or a reconciliation of the total balances reported by LAHSA until that process was complete. Due to concerns regarding the accuracy and completeness of LAHSA's reported balances, the figures are presented as reported without additional analysis, as discussed further below.

Based on the financial records available to us, we noted that certain financial activities were not recorded in a timely manner, undermining the completeness and accuracy of LAHSA's financial records. For example, we noted that as of February 28, 2026, eight months into FY 2025-26, LAHSA had not recorded grant revenue in their statement of revenues, expenditures, and changes in fund balance, despite receiving approximately $145.1 million in advance payments from the County. According to GAAP, advance payments must be recognized as revenue when earned and when the related expenditures are incurred. However, LAHSA did not convert the advance payments to earned revenue timely. As a result, LAHSA's financial records do not fully reflect the organization's financial position, which could impair reporting accuracy and accountability for County funds, as well as management visibility into the Authority's financial position and stability.

We also noted issues related to LAHSA's accounts receivable. Specifically, LAHSA did not adjust their accounts receivable balances to reflect approximately $2.14 million in payments received from the County between one and eight months earlier. In addition, we noted the accounts receivable records included duplicate entries that overstated the cash balance by approximately $47.2 million. While LAHSA indicated that the duplicate entries were subsequently corrected, they did not provide documentation to support when those adjustments were made.

LAHSA attributed these discrepancies to incomplete reconciliations that were required to be completed before recording the related financial activity. These delays and omissions compromise the accuracy and completeness of financial reporting, weaken the reliability of financial information used for oversight and decision-making, and are not in compliance with GAAP, OA reporting requirements and the GC. LAHSA's failure to maintain timely and transparent financial records also undermines accountability and public confidence in the proper use of public funds.

Cash Management Deficiencies

As noted above, LAHSA receives funding from various government sources and uses their accounting system and discrete grant codes to track each fund. The Authority also receives funds from a private foundation, which may be used to supplement payments to service providers. LAHSA indicated that they use a single operating bank account to hold all cash and disburse payments to all service providers, regardless of the funding source.

We reviewed LAHSA's cash balance report dated February 28, 2026, which shows total cash on hand and amounts available by funding source. While the County account had a positive balance of approximately $22.4 million, we noted two other funding sources showed negative balances (i.e., they were overdrawn) totaling approximately $7.84 million. This indicates that LAHSA provided funds from other funding sources, in excess of the amounts received from those government funders for the respective grants. One source of funds could have been the private foundation account, but we noted it only had resources available to cover a maximum of $3.9 million of the overdrawn amount, leaving a remaining negative balance of $3.94 million. Based on the use of a single operating account for disbursements, these facts indicate that cash from other government funders was used, at least temporarily, to support obligations of a separate government funder's programs. LAHSA indicated that the negative cash balances were due to timing differences of when cash was received and recorded.

Unpaid Amounts Owed to County Service Providers

Accounts payable represent amounts that LAHSA owes to service providers or vendors for goods or services received but not yet paid (e.g., invoices and advance requests received but unpaid). As of March 4, 2026, LAHSA reported approximately $75.6 million in accounts payable due to service providers across multiple funding sources. Of this amount, approximately $51.2 million (68%) was more than 30 days past the due date. In addition, approximately $34.6 million (46%) was owed to County-funded service providers, of which approximately $13 million (38%) relates to providers funded through Measure H and $3.3 million (9%) relates to providers funded through Measure A. For accounts payable funded through Measure H, LAHSA indicated these balances are primarily attributable to providers submitting untimely invoices after the close of the budget year. LAHSA reported that they are actively working and coordinating with HSH to identify available funding to pay these outstanding payables since Measure H ended on March 31, 2025, and was replaced by Measure A.

The significant volume of aged payables, particularly those owed to County service providers and related to Measure H, could significantly impact service providers' ability to sustain operations, disrupt the delivery of critical homelessness services, and raises concerns over LAHSA's ability to administer funds in a timely and accountable manner.

Recommendations

LAHSA management:

1. **Immediately update and maintain complete and accurate financial statements, and ensure all supporting records and documentation are readily available to the County. [Priority 1]**

2. **Ensure County funds, which include advances, are accurately reported and used for their intended purpose. [Priority 1]**

3. **Strengthen the accounts payable process by implementing controls such as regular monitoring of aged balances and prioritization of past due invoices, to ensure timely payment to County service providers, and continue coordinating with HSH to identify available funding for outstanding payables related to Measure H. [Priority 1]**

Advance Payment Model

According to the OA between the County and LAHSA, effective May 5, 2025, LAHSA is required to request Measure A advance funds for each upcoming fiscal quarter no later than 45 days before the start of that fiscal quarter. The OA also requires LAHSA to disburse monthly advance funds to County-funded service providers on or before the 25th day of each month to ensure sufficient cash flow for the timely delivery of critical homelessness services. In addition, to ensure funds are used as intended and to identify any overpayments and excess funds, LAHSA is required to reconcile advances paid against service providers' invoices, as necessary, and recoup excess advances at the end of each fiscal quarter. As of March 4, 2026, during FY 2025-26, the County provided LAHSA approximately $145.1 million in Measure A advances and payments, of which LAHSA disbursed approximately $120 million to various service providers.

We reviewed LAHSA's records related to advance fund requests to the County, service provider invoices, and payments to County-funded providers to determine whether advance requests were submitted timely and invoices were processed and payments disbursed in accordance with required timelines. We noted the following:

- **Untimely Advance Fund Requests and Disbursements** – During the second and third quarters of FY 2025-26, LAHSA did not submit timely quarterly advance funding requests to the County, with submissions averaging more than 30 days past the required deadline. Similarly, during the review period of July 1, 2025, to February 28, 2026, LAHSA did not disburse monthly advance payments to County-funded service providers in a timely manner, with payments averaging more than 25 days late. LAHSA indicated these delays were due to staff attrition, including vacancies in critical roles and overall staffing shortages, additional time

needed to implement the new advance payment process, and delays in executing Measure A service provider contracts, which they reported impacted advances and payments to service providers.

While we requested records to show advances disbursed and service providers' invoiced amounts, LAHSA was unable to provide sufficient documentation, including records supporting the amounts advanced, adjusted based on reconciliation, or recouped from County service providers. As a result, we could not verify the amounts disbursed to service providers or evaluate whether payments were calculated and issued in accordance with the OA. This limitation prevented us from assessing the overall accuracy and appropriateness of service provider payments.

- **Late Service Provider Invoices** – The OA allows service providers until the 15th calendar day of each month to submit invoices for services performed during the prior month. LAHSA is responsible for ensuring that providers submit timely and complete invoices, including adequate documentation, to substantiate the use of advance funds and to facilitate quarterly reconciliations and the advance recoupment process. However, based on our review of invoice receipt dates for the period of July 1, 2025, to February 28, 2026, we noted that 83% of invoices from County-funded service providers were submitted late. While LAHSA indicated they hold monthly meetings with service providers to discuss invoice statuses, there appear to be opportunities for LAHSA to further enhance their monitoring of service providers to ensure invoices are submitted timely, as required, and to continue working with service providers to identify the reasons for late invoices and take appropriate action. Addressing the root cause of the late invoice submissions is critical, as this issue may also impact HSH when it begins directly contracting for similar services.

  LAHSA indicated that late invoice submissions were attributable to delays in executing service provider contracts. Specifically, service providers were unable to submit invoices until their contracts were executed and entered in LAHSA's contract and billing system, which was not completed until late 2025. However, LAHSA is responsible for ensuring timely contract execution and invoice submission, and these delays demonstrate weaknesses in their contract management and invoice oversight processes. As noted below, strengthening these processes is critical to supporting timely reconciliations.

- **Incomplete Quarterly Reconciliations** – As noted above, the OA requires LAHSA to reconcile advances against invoices (or actual expenditures) at the service provider level to identify any overpayments or underpayments, and to recoup excess advances, as necessary, at the end of each fiscal quarter. During our review, LAHSA indicated they have not completed the required reconciliations for the first two quarters of FY 2025-26. According to LAHSA, multiple factors compounded over time to create this backlog, creating a complex issue that is not

easily resolved. Specifically, LAHSA indicated that late invoice submissions create periodic influxes of documents that, given their constrained staffing levels, hinder their ability to review and reconcile invoices timely. In addition, as the third and fourth fiscal quarters approached, this backlog made the reconciliation process more complex and time sensitive. LAHSA also indicated that some service providers are unable to return advance funds, raising concerns about their ability to repay excess advances, and that LAHSA is working with HSH to address potential instances where recoupment may not be possible.

Delays in the quarterly reconciliation process represent a critical bottleneck in the advance payment model and affect LAHSA's ability to draw down County funds and make timely advances and payments to service providers, as reconciled expenditures are necessary to support funding requests and ongoing disbursements. Also, addressing the reconciliation delays would improve the timeliness of payments to service providers and support an effective transition of this process to HSH.

In addition, while LAHSA provided summary reports of the total advances and service provider invoices as of March 4, 2026, they did not provide a detailed accounting of the purported excess advances by individual service provider. As a result, we were unable to confirm the existence or determine the extent of overpayments, if any, or assess whether appropriate recoupments have been identified and initiated, as required by the OA.

Recommendations

LAHSA management:

4. **Ensure advance requests are submitted timely to the County. [Priority 1]**

5. **Develop strategies to ensure payments to County-funded service providers are issued in a timely manner, including working with HSH to identify feasible solutions for staffing vacancies. [Priority 1]**

6. **Continue to monitor service providers' invoices for timely submissions, including collaborating with HSH to identify the root causes for late invoices and opportunities to improve the timeliness of the invoice submission process. [Priority 1]**

7. **Consult with HSH to improve the quarterly reconciliation process, ensuring timely completion and identification of overpayments or underpayments and recoupment of excess advances to support efficient and accurate reconciliations. [Priority 1]**

LOS ANGELES HOMELESS SERVICES AUTHORITY
LAHSA

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May 13, 2026

Oscar Valdez, Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division
500 W. Temple St., Room 525
Los Angeles, CA 90012

Re: Los Angeles Homeless Services Authority – Financial and Operational Process Review (March 3, 2026, Board Agenda Item 79-A)

Dear Mr. Valdez:

Attached is the Los Angeles Homeless Services Authority's (LAHSA) response to the Financial and Operational Process Review conducted by the Auditor-Controller at the request of the Board of Supervisors. LAHSA agrees with the recommendations made by the Auditor-Controller contained in the report and plans to address the recommendations as detailed in the Action Plan.

LAHSA has appreciated the opportunity to engage with the County during its financial and operational review process. We value the County's collaboration and remain committed to transparency and the continuous improvement of our financial management practices. This review process is a critical tool as we work toward strengthening the fiscal health of the Los Angeles homelessness response system.

LAHSA welcomes the opportunity to strengthen our internal processes that will bring further clarity and efficiency to a system that thousands of unhoused individuals and families rely on to help them exit their homelessness. We would like to note some systemic challenges that impacted administrative capacity, as well as cover some key recent improvements:

- **Concurrent Audit Burdens:** LAHSA's annual federal Single Audit and this County review overlapped in March and April 2026. This created an extraordinary burden on our Finance staff, who were required to manage documentation requests and fieldwork for both processes at once. These dueling priorities taxed our staff and contributed to delays in LAHSA providing some requested materials to the County. Follow-up documentation requested beyond the original PBC lists for both the review and the audit became difficult to provide in a timely manner.

- **Continual Progress:** Despite these pressures, LAHSA made significant headway during the review window, becoming current on County-funded disbursements and successfully issuing February and March 2026 advances.

LAHSA remains a dedicated partner to the County as we work through the current, ongoing transition and look forward to working together over the next year to define our new relationship. We believe that the ultimate measure of our administrative success is the stability of the system for those most vulnerable, whose well-being remains the primary purpose of our collective work.

If you have any questions or require additional information, please contact Janine Lim, Deputy Chief Financial Officer, at (213) 523-1006 or jlim@lahsa.org.

Sincerely,

Gita O'Neill
Interim Chief Executive Officer
Los Angeles Homeless Services Authority

LOS ANGELES HOMELESS SERVICES AUTHORITY (LAHSA)
FINANCIAL AND OPERATIONAL PROCESS REVIEW
(March 3, 2026, Board Agenda Item 79-A)
LAHSA'S ACTION PLAN/RESPONSE

RECOMMENDATION 1	
A/C Recommendation	**LAHSA management immediately update and maintain complete and accurate financial statements, and ensure all supporting records and documentation are readily available to the County.**
Priority	**PRIORITY 1**
Agree/Disagree	**Agree**
Action Plan[1]	• LAHSA will maintain and make all financial reports required under funder agreements readily available to the County. These include monthly year-to-date revenue and expenditure reports at the grant, program, agency, contract, and cost category levels; monthly budget-to-actual reports; disbursement reports; and delinquency reports. • LAHSA will make readily available accounting records necessary to evaluate both aggregate and funding-specific financial activity. This includes a comprehensive Trial Balance by grant, which contains all underlying data required to derive both consolidated financial position and detailed financial results by funding source.
Target Implementation Date	Implemented
Additional Information (optional)[2]	• LAHSA management notes that neither GASB standards nor LAHSA's funding agreements require the preparation or maintenance of perpetual financial statements. Under GASB, financial statements (including the Balance Sheet) are formally issued only after the annual financial close process and audit, and therefore provide a finalized, point-in-time presentation of financial position rather than continuously maintained reports, which LAHSA utilizes on a daily and monthly basis. • It should be noted that Trial Balance by grant, General Ledger Detail for Accounts Receivable, Aging Payables, Revenue and Expense Reports, and Disbursement Reports were provided during audit fieldwork.

[1] In this section LAHSA should only describe the efforts they plan to take, or any steps already taken to implement the recommendation. Any other information should be included in the Additional Information section below.
[2] In this section LAHSA can provide any background or clarifying information they believe is necessary.

RECOMMENDATION 2	
A/C Recommendation	**LAHSA management ensure County funds, which includes advances, are accurately reported and used for their intended purpose.**
Priority	**PRIORITY 1**
Agree/Disagree	**Agree**
Action Plan[1]	• Management will maintain and strengthen controls to ensure County funds are used solely for their intended purposes, including timely reconciliation and review processes to identify and resolve discrepancies. • We have addressed the recording and timing issues identified in the report and will continue to track funds to ensure accurate reporting. • LAHSA will continue to record revenue in accordance with GASB requirements, ensuring transactions are accurately reflected within the appropriate reporting period.
Target Implementation Date	Ongoing
Additional Information (optional)[2]	• The negative balances noted were due to specific timing and recording issues. • The State HHAP negative balance was the result of a known timing difference where the County agreed to provide cash flow while awaiting State reimbursement. Additionally, corrections associated with Master Leasing expenditures also contributed to the negative balance in State funding. • The federal grant discrepancy was due to a coding error that has since been corrected.

RECOMMENDATION 3	
A/C Recommendation	**LAHSA management strengthen the accounts payable process by implementing controls such as regular monitoring of aged balances and prioritization of past due invoices, to ensure timely payment to County service providers, and continue coordinating with HSH to identify available funding for outstanding payables related to Measure H.**
Priority	**PRIORITY 1**
Agree/Disagree	**Agree**

[1] In this section LAHSA should only describe the efforts they plan to take, or any steps already taken to implement the recommendation. Any other information should be included in the Additional Information section below.
[2] In this section LAHSA can provide any background or clarifying information they believe is necessary.

RECOMMENDATION 3	
Action Plan[1]	• LAHSA has implemented regular review and monitoring of aged balances to support the timely payment of recorded obligations. • For funding sources where cash advances are provided, such as Measure A, LAHSA will continue to prioritize and pay older outstanding invoices. • We will continue to coordinate with HSH to identify available funding for outstanding payables related to Measure H.
Target Implementation Date	Implemented
Additional Information (optional)[2]	• Prioritization of the oldest invoices is occasionally constrained by specific funding arrangements. • For reimbursement-based sources, payments follow a sequential process: service providers invoice LAHSA, LAHSA invoices the funder, and funds must be remitted to LAHSA before disbursement. Prioritization of the oldest past due invoices is not always possible when this is the case.

RECOMMENDATION 4	
A/C Recommendation	**LAHSA management ensure advance requests are submitted timely to the County.**
Priority	**PRIORITY 1**
Agree/Disagree	**Agree**
Action Plan[1]	• Management has established processes to track and meet all applicable deadlines for quarterly advance funding requests. • LAHSA will work to ensure that all internal reviews are completed to allow for the timeliest submission possible.
Target Implementation Date	Implemented
Additional Information (optional)[2]	• The approval date for these requests often reflects an iterative review process that includes follow-up questions and requests for clarification from the County. • For example, the Quarter 4 Measure A advance request was submitted on time on 2/12/26 with follow-up questions from the County received on 3/2/26, which were ultimately resolved on 3/18/26.

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[2] In this section LAHSA can provide any background or clarifying information they believe is necessary.

RECOMMENDATION 5	
A/C Recommendation	**LAHSA management develop strategies to ensure payments to County-funded service providers are issued in a timely manner, including working with HSH to identify feasible solutions for staffing vacancies.**
Priority	**PRIORITY 1**
Agree/Disagree	**Agree**
Action Plan[1]	• LAHSA has reorganized key functions under the Finance Department Director to improve coordination and processing efficiency. • This structure includes a centralized Service Provider Accounts Payable Unit, an Accounts Receivable Unit, and a Treasury Unit to oversee the entire payment lifecycle. • We have introduced "floater" positions and a special project coordinator to provide operational flexibility and mitigate the impact of staffing vacancies.
Target Implementation Date	6/30/26
Additional Information (optional)[2]	• LAHSA is currently engaging with County CEO to address staffing challenges.

RECOMMENDATION 6	
A/C Recommendation	**LAHSA management continue to monitor service providers' invoices for timely submissions, including collaborating with HSH to identify the root causes for late invoices and opportunities to improve the timeliness of the invoice submission process.**
Priority	**PRIORITY 1**
Agree/Disagree	**Agree**
Action Plan[1]	• LAHSA will continue to monitor service provider contracts, which require invoices to be submitted by the 15th of the month following service. • We will continue to issue delinquency notices and provide proactive technical assistance and guidance to support accurate and timely submissions. • Management is collaborating with HSH to assess underlying causes for delays and develop a communication strategy for the end of the fiscal year.
Target Implementation Date	6/30/26
Additional Information (optional)[2]	• LAHSA has observed that some providers face systemic challenges, including resource and staffing constraints, that may impact their ability to submit invoices on a timely basis.

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[2] In this section LAHSA can provide any background or clarifying information they believe is necessary.

RECOMMENDATION 7	
A/C Recommendation	**LAHSA management consult with HSH to improve the quarterly reconciliation process, ensuring timely completion and identification of overpayments or underpayments and recoupment of excess advances to support efficient and accurate reconciliations.**
Priority	**PRIORITY 1**
Agree/Disagree	**Agree**
Action Plan[1]	• LAHSA has requested consultation with HSH to enhance the reconciliation process and improve the transparency and usability of reports. • LASHA is meeting weekly with HSH to align year-end requirements and resolve issues related to advance balances and recoupment.
Target Implementation Date	On-going

Additional Information (optional)[2]	• Management notes that LAHSA maintains records of advances disbursed to service providers and expenditures invoiced against those advances in accordance with the Operating Agreement (OA). LAHSA provides these reports monthly, despite the OA's quarterly submission requirement.
	• These reports include:
	  ○ Advances issued to service providers
	  ○ Provider-reported expenditures applied against those advances

[1] In this section LAHSA should only describe the efforts they plan to take, or any steps already taken to implement the recommendation. Any other information should be included in the Additional Information section below.
[2] In this section LAHSA can provide any background or clarifying information they believe is necessary.