

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES – GENERAL

Case No. 2:20-cv-02291-DOC-KES

Date: March 31, 2025

Title: LA Alliance for Human Rights et al. v. City of Los Angeles et al.

PRESENT: THE HONORABLE DAVID O. CARTER, U.S. DISTRICT JUDGE

Karlen Dubon
Courtroom Clerk

Not Present
Court Reporter

ATTORNEYS PRESENT FOR
PLAINTIFF:
None Present

ATTORNEYS PRESENT FOR
DEFENDANT:
None Present

PROCEEDINGS (IN CHAMBERS): **AMENDED ORDER RE DOCUMENTS
REFERENCED BY THE COURT AT
MARCH 27, 2025 HEARING**

During the March 27, 2025 hearing in this matter, the Court discussed and cited the following documents as attached here:

- Exhibit A: 2007 HUD Inspector General Audit
- Exhibit B: 2019 LA City Controller Report
- Exhibit C: 2021 Committee for Greater Los Angeles Report
- Exhibit D: 2022 HUD Inspector General Audit
- Exhibit E: 2024 LA County Auditor-Controller Report
- Exhibit F: 2024 LA City Controller Audit
- Exhibit G: 2025 A&M Assessment
- Exhibit H: LAHSA-Dr. Va Lecia Adams Kellum's Response to A&M Assessment

See docket attachments for full documents.

The Clerk shall serve this minute order on the parties.

MINUTES FORM 11

CIVIL-GEN

Initials of Deputy Clerk: kdu

Exhibit E



COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION
 500 WEST TEMPLE STREET, ROOM 525
 LOS ANGELES, CALIFORNIA 90012-3873
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OSCAR VALDEZ
 AUDITOR-CONTROLLER

CONNIE YEE
 CHIEF DEPUTY AUDITOR-CONTROLLER

November 19, 2024

TO: Each Supervisor

FROM: Oscar Valdez, Auditor-Controller

SUBJECT: **LOS ANGELES HOMELESS SERVICES AUTHORITY – FINANCE, CONTRACTS, RISK MANAGEMENT, AND GRANTS MANAGEMENT REVIEW (February 27, 2024, Board Agenda Item 4)**

With the support of the Chief Executive Office (CEO) and the Los Angeles Homeless Services Authority (LAHSA), we completed a review of LAHSA's Finance, Contracts, Risk Management, and Grants Management and Compliance units, as requested by the Board of Supervisors on February 27, 2024, Board Agenda Item 4. Our review was completed in accordance with the scope of work report back issued on April 23, 2024 (included in Attachment II).

We noted various opportunities for LAHSA to improve and strengthen their controls and processes over their operations, and offer the recommendations in this report to assist LAHSA management in that regard. For example, 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.

**NUMBER OF
RECOMMENDATIONS**

PRIORITY 1

10

PRIORITY 2

3

PRIORITY 3

3

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 FY ended June 30, 2023, LAHSA's total revenue was approximately \$647 million.

- 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.

For details of our review, please see Attachment I. LAHSA's response (included in Attachment III) indicates agreement with five, disagreement with four, and partial disagreement with seven of our findings and recommendations. It should be noted that LAHSA did not communicate any of these disagreements during our review, including during our preliminary and formal exit meetings. As mentioned in Attachment II, our results will also help inform whether a strategic business process analysis and workplan for LAHSA is needed, which we will work with the CEO and LAHSA to determine after the issuance of this report.

We thank LAHSA management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Terri Kasman at tkasman@auditor.lacounty.gov.

OV:CY:RGC:TK:JH:meb

Attachments

c: Fesia A. Davenport, Chief Executive Officer
Edward Yen, Executive Officer, Board of Supervisors
Va Lecia Adams Kellum, Ph.D., Chief Executive Officer, LAHSA

LOS ANGELES COUNTY AUDITOR-CONTROLLER

Attachment I
Page 1 of 16

Robert G. Campbell
ASSISTANT AUDITOR-CONTROLLER

Terri Kasman
DIVISION CHIEF

COUNTYWIDE CONTRACT MONITORING DIVISION

Report #C24004

LOS ANGELES HOMELESS SERVICES AUTHORITY
FINANCE, CONTRACTS, RISK MANAGEMENT, AND GRANTS MANAGEMENT REVIEW
(February 27, 2024, Board Agenda Item 4)

BACKGROUND AND SCOPE

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. 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. The audited financial statements for the FY ended June 30, 2024, were not yet available at the time of our review.

At the Board of Supervisors' (Board) request, we completed a review of LAHSA's Finance, Contracts, Risk Management, and Grants Management and Compliance units, in accordance with the scope of work included in Attachment II. This review is intended to inform incoming financial leadership at LAHSA of key financial and operational areas that need improvement. In addition, as mentioned in Attachment II, our results will also help inform whether a strategic business process analysis and workplan for LAHSA is needed, which we will work with the County Chief Executive Office (CEO) and LAHSA to determine after the issuance of this report.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION

	ISSUE	RECOMMENDATION
1	<p>Did Not Establish Agreements for Working Capital Advances - In FYs 2017-18 through 2019-20, the County provided LAHSA approximately \$82.5 million in Measure H working capital advances to support Measure H operations, in which LAHSA awarded \$50.8 million to various subrecipients beginning in FY 2017-18 to address cash flow needs that may occur throughout the fiscal year. According to LAHSA, the subrecipients were allowed to retain these advances across multiple fiscal years and were not required to repay the funds annually. LAHSA retained the remaining \$31.7 million to support internal operations and awarded annual cash advances for Measure H subrecipients, as mentioned in Issue No. 2.</p> <p>However, LAHSA did not establish formal agreements with the subrecipients to determine how and when the working capital advances would be repaid. In addition, LAHSA indicated that while they initiated efforts to recoup the funds in FY 2023-24, some subrecipients reported having cash flow issues. As a result,</p>	<p>Priority 1 - LAHSA management:</p> <ul style="list-style-type: none"> a) Work with subrecipients to establish agreements with repayment terms for all outstanding working capital advances. b) Provide the County CEO with quarterly updates until all advanced funds are repaid. <p>LAHSA's Response: Disagree Target Implementation Date: Not Indicated</p> <p>LAHSA indicated disagreement and requested that we remove this finding and the associated recommendations, citing that their Operational Agreement (OA) with the County does not require LAHSA to recoup these advances annually or by July 8, 2024, as is stated in the report. However, our report does not state that these advances are required to be recouped annually or by July 8, 2024, and instead acknowledges that subrecipients were allowed to retain the advances across multiple fiscal years.</p>

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION		
	ISSUE	RECOMMENDATION
	<p>LAHSA slowed their recoupment efforts and only recovered approximately \$2.5 million (5%) as of July 8, 2024.</p> <p>While LAHSA initiated attempts to recover these funds, we have concerns about LAHSA's ability to recover all the advances given the lack of formal agreements memorializing the advances when they were issued. LAHSA must continue to actively work with the subrecipients to establish agreements that formalize how and when the outstanding working capital advances will be repaid. LAHSA must also establish controls over cash advances, including any future working capital advances, as mentioned in Issue No. 4.</p> <p>Impact: LAHSA may not be able to recover all working capital advances and as a result, may not repay the County the full \$82.5 million in advanced Measure H funds.</p>	<p>In addition, LAHSA indicated that while their OA does not require them to establish formal agreements, they took the initiative to do so and provided the agreements along with recoupment schedules during our fieldwork. However, LAHSA only began establishing formal agreements during FY 2023-24, and only provided agreements for some (not all) of the providers with outstanding working capital advances. As indicated under the Issue section and in our recommendation, LAHSA must continue to work with the subrecipients to establish agreements for all outstanding working capital advances.</p> <p>Furthermore, LAHSA indicated they were in full compliance with their OA since they provided the County with reconciliations for the working capital advances (in lieu of recouping the funds) at the end of each fiscal year. However, our finding does not take issue with LAHSA's compliance with the OA terms and the reconciliation or recoupment of the funds, but rather with the lack of formal agreements documenting the advance and terms of recoupment of public funds. While the OA does not require LAHSA to establish formal agreements for the working capital advances (as LAHSA indicates in their response), given the significant public funds advanced to and still outstanding with subrecipients, it is critical LAHSA implement our recommendations to ensure public funds are properly accounted for and safeguarded.</p>
2	<p>Did Not Recoup Annual Cash Advances - LAHSA has contracts with subrecipients that include provisions for annual cash advances (cash advances), which differ from working capital advances in that these funds are to be awarded and recouped by LAHSA each fiscal year. However, LAHSA did not always recover the cash advances at year-end and had a significant amount of outstanding advances dating back to FY 2016-17, including advances with subrecipients who no longer contract with LAHSA.</p> <p>Specifically, LAHSA had approximately \$15 million in outstanding cash advances made to subrecipients for City, County, and State programs as of July 2024, and of those amounts, approximately \$8 million (53%) was carried over from prior fiscal years (i.e., FYs 2016-17 through 2022-23), including approximately \$185,000 in advances that were provided in FY 2016-17. Of</p>	<p>Priority 1 - LAHSA management:</p> <ul style="list-style-type: none"> a) Work with subrecipients who have overdue outstanding cash advances to recover funds. b) Ensure annual cash advances are recouped annually. c) Consult with legal counsel regarding options for recouping outstanding cash advances with subrecipients who no longer contract with LAHSA. <p>LAHSA's Response: Partially Disagree Target Implementation Date: Recommendation a): Not Indicated Recommendations b) and c): June 30, 2026</p> <p>LAHSA partially disagreed with our finding and that the requirement to recoup annual advances depends on the specific funder agreement for each grant.</p>

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION		
	ISSUE	RECOMMENDATION
	<p>the \$8 million, approximately \$409,000 are outstanding advances to six subrecipients who no longer contract with LAHSA.</p> <p>LAHSA indicated the cash advances received from their funders were trued-up against their actual expenditures in their year-end reimbursement claims. However, LAHSA did not recoup the \$8 million in cash advances from their subrecipients, creating an \$8 million cash deficit. LAHSA management indicated they track the outstanding cash advances as receivables in their accounting records, and the cash deficits will be resolved once the cash advances are collected from their subrecipients. LAHSA must work with their subrecipients to ensure all outstanding cash advances are recouped, and establish proper controls over future cash advances, as mentioned in Issue No. 4.</p> <p>Impact: Increased risk that LAHSA is unable to recover all cash advances, especially with subrecipients that no longer have a business relationship with LAHSA, resulting in shortfalls with funds that were intended for other programs.</p>	<p>However, LAHSA's contracts with their subrecipients include standard language indicating that "advance payments must be repaid in full prior to the close of the FY in which the advance payment is received." Accordingly, regardless of funder requirements LAHSA's current practices are not in conformance with the terms of their own subrecipient contracts.</p> <p>In addition, LAHSA indicated that their OA with the County allows for the funds to be reconciled annually in lieu of being recouped and therefore, they are fully compliant. However, the terms cited are requirements for cash advances between the County and LAHSA, not LAHSA and their subrecipients.</p> <p>LAHSA also requested this finding be reduced to a Priority 3, indicating that significant improvements have been made. However, given the significance of the issues we identified in our review, such as outstanding advances with six subrecipients who no longer contract with LAHSA, it is critical for LAHSA to implement our recommendations to ensure public funds are properly accounted for and safeguarded.</p>
3	<p>Inadequate Contract Data - LAHSA uses their Enterprise Grants Management System (EGMS) to manage the full lifecycle (i.e., pre-award to post-award phases) of their subrecipient contracts and contract amendments (referred throughout as "contracts"). However, LAHSA was unable to produce an accurate list of all their contracts in EGMS. Specifically, while LAHSA indicated they had 1,273 active contracts as of May 2024, LAHSA provided five different contract listings from EGMS that identified varying contract totals ranging from 676 to 1,078. Significantly, none of the different listings provided by LAHSA accounted for all of the active contracts LAHSA reported having.</p> <p>In addition, LAHSA was unable to determine the total number of contracts that were executed either timely or retroactively in FY 2023-24. This was primarily due to LAHSA not tracking key data in EGMS, or maintaining inaccurate data. For example, we reviewed a sample of eight contracts and noted that for:</p>	<p>Priority 1 - LAHSA management ensure key contract information is adequately tracked, reliable, and accurate.</p> <p>LAHSA's Response: Agree Target Implementation Date: February 28, 2025</p>

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION		
	ISSUE	RECOMMENDATION
	<ul style="list-style-type: none"> All contracts, the EGMS reports did not capture the dates LAHSA's contracts were signed by all parties and executed. Six (75%) contracts, the term start and/or end dates captured in EGMS did not match the dates on the actual contract. Four (50%) contracts, the term start dates in the actual contracts were inaccurate, which in turn, resulted in inaccurate EGMS reports. Specifically, all four were contract amendments and instead of identifying the <i>amendment</i> term start dates, LAHSA identified the start dates for the entire <i>contract</i> term. <p>Retroactive and untimely contracts have been an ongoing and recurring issue for LAHSA. Management's attempts to address these issues are impaired when they do not have reliable and accurate information about fundamental contracting metrics, such as the quantity, timeliness, and terms of their active contracts. LAHSA must ensure they adequately track and maintain contracting data to measure performance and/or identify opportunities to improve their contracting function.</p> <p>Impact: Reputational, operational, and compliance risk including, inability to fully assess contracting risk and performance, retroactive and untimely contracts, improper and late payments, lapses in critical services, administrative burden to correct data diverting resources from other tasks, and loss of trust from stakeholders.</p>	
4	<p>Inadequate Controls Over Cash Advances - In addition to the deficiencies noted in Issues No. 1 and 2, LAHSA did not have other basic controls in place to ensure cash advances were appropriate, properly accounted for, and safeguarded. For example, LAHSA did not:</p> <ul style="list-style-type: none"> Deposit cash advances received in a separate, interest-bearing account by funding source. Evaluate the subrecipients' contracting and advance repayment history prior to awarding 	<p>Priority 1 - LAHSA management implement adequate controls, including the controls identified in this report, to ensure cash advances are appropriate, properly accounted for, and safeguarded.</p> <p>LAHSA's Response: Partially Disagree Implementation Date: November 1, 2024 (Partially)</p> <p>LAHSA indicated they implemented bullets 2 and 4. However, LAHSA also indicated they disagree with bullets 1 and 3 because they are not required under the OA, requested the bullets be removed from our</p>

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION		
	ISSUE	RECOMMENDATION
	<p>cash advances, as stated in LAHSA's internal policy.</p> <ul style="list-style-type: none"> Reconcile advances to the subrecipients' actual expenditures at least quarterly. Establish clear policies and procedures that address the recoupment of outstanding cash advances, including timelines for follow-ups and remedies for non-responsive subrecipients. <p>In response to a County Board motion on May 21, 2024, the County's CEO implemented an alternative funding model for Measure H funded contracts, which provided LAHSA with quarterly cash advances, where LAHSA will in turn provide monthly advances to their subrecipients. As of September 6, 2024, the County had already provided LAHSA with \$115,658,400 in Measure H advances for FY 2024-25. Given that this new model increases the number and amount of cash advances received and disbursed, LAHSA must strengthen controls to ensure all cash advances are properly accounted for and used for their intended purpose.</p> <p>Impact: Increased risk that cash advances are not used for their intended purpose and may not be fully recovered.</p>	<p>report, and that this finding be reduced to a Priority 3. While these controls are not required under the OA, they are best practices memorialized in the County Fiscal Manual to ensure proper controls over cash advances. Implementing the recommended controls will benefit LAHSA management and their overall administration of and accountability for cash advances. Given the findings noted in Issues No. 1 and 2, and the significant amount of cash advances that LAHSA receives and awards, LAHSA must implement these controls to ensure proper stewardship of public funds and that all cash advances are adequately accounted for and safeguarded.</p>
5	<p>Inappropriate Use of Funds - As a pass-through governmental agency, LAHSA submits reimbursement claims to its funders and must typically wait to be reimbursed before remitting payments to their subrecipients, unless other resources, such as cash advances, are made available by the funders. However, we noted instances where LAHSA paid their subrecipients prior to receiving reimbursement from funders who did not provide cash advances during FY 2023-24. To make these payments, LAHSA used funds received from other government funders even though the services being paid for were not contracted by those funders. Specifically, from our sample of subrecipient payments made in FY 2023-24, we noted that LAHSA paid:</p>	<p>Priority 1 - LAHSA management ensure:</p> <ul style="list-style-type: none"> Available funds are only used for their intended purposes. Fund balances are monitored to verify program funding is available prior to remitting payments to subrecipients. <p>LAHSA's Response: Disagree Implementation Date: July 1, 2024</p> <p>Although LAHSA's response indicated disagreement with our findings and recommendations, LAHSA did not specify any areas of disagreement and indicated they implemented our recommendations. While LAHSA indicated the implementation date occurred during our review, they did not provide any</p>

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION		
	ISSUE	RECOMMENDATION
	<ul style="list-style-type: none"> One subrecipient for a federal Department of Housing and Urban Development (HUD) program 16 days prior to LAHSA receiving reimbursement, totaling \$126,168. One subrecipient for a County (non-Measure H) program 14 days prior to LAHSA receiving reimbursement, totaling \$31,770. <p>LAHSA confirmed they used other available funding unrelated to the programs to pay the subrecipients. LAHSA must discontinue this practice to ensure financial resources and operations for other programs are not inappropriately (and negatively) impacted.</p> <p>Impact: Using funds received from one government funder to pay for services provided under another government funder's contract/ grant constitutes a misuse of those funds, and increases the risk that funder payments are not available for the purposes they were claimed and received. This indicates weaknesses in internal controls and financial management practices, and may result in unintended cash flow issues for various programs and could expose LAHSA to administrative contractual remedies from funders.</p>	<p>documentation to support that they took corrective action during our fieldwork or with their response. As a result, we could not verify if LAHSA fully implemented our recommendations. We will review their implementation status during a future follow-up review, if requested.</p>
6	<p>Late Payments to Subrecipients - LAHSA did not always pay subrecipients timely even when LAHSA had received payment for services from its funders. Our review of 13 subrecipient payments made between July 2023 through May 2024 noted that five (38%) of those payments were late. Specifically:</p> <ul style="list-style-type: none"> Two were paid 53 and 68 business days after the receipt of the subrecipient invoices, respectively, even though these payments were Measure H funded and LAHSA should have had cash advances available to pay within 45 days of receiving the invoices, as stated in their subrecipient contracts. In addition, for one of the invoices, it took LAHSA 51 business days after receiving reimbursement from the County to remit payment to the subrecipient, even though LAHSA indicated their internal metric is to 	<p>Priority 1 - LAHSA management:</p> <ul style="list-style-type: none"> a) Ensure subrecipients are paid timely when cash advances are available or after reimbursement is received from funding sources. b) Develop strategies for managing cash flow to ensure sufficient funds are available to meet their financial obligations. <p>LAHSA's Response: Agree Implementation Date: July 1, 2024</p>

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION		
	ISSUE	RECOMMENDATION
	<p>pay within 15 business days of receiving payment from the funder.</p> <ul style="list-style-type: none"> Two were paid 42 and 50 business days after the receipt of the subrecipient invoices, respectively, even though LAHSA already received the funding in advance for these services. The payments were for a State funded program in which LAHSA received advanced installment payments in place of having to submit reimbursement claims. One was paid 55 business days after LAHSA received reimbursement from the funding source (i.e., the City). As mentioned above, LAHSA indicated their internal metric is to pay within 15 business days. <p>LAHSA indicated the late payments were due to cash flow issues. However, as noted in Issues No. 1 and 2, LAHSA received \$82.5 million in working capital advances from the County, and also received cash advances from various other funding sources which were subsequently awarded to subrecipients and not recouped as required, creating a cash deficit. To ensure sufficient funds are available to meet their financial obligations, LAHSA should develop strategies to enhance their cash flow management.</p> <p>Impact: Delayed payments can negatively affect a subrecipient's cash flow and their ability to provide critical client services.</p>	
7	<p>Record-keeping Deficiencies - Working Capital Advances - LAHSA used various methods to track their Measure H working capital advances provided to subrecipients, including their Working Capital Recoup Tracker report, which is generated from LAHSA's accounting records. We obtained a copy of this report and selected a sample of transactions to validate the accuracy of the information. Specifically, we selected 12 (33%) of the 36 subrecipients that received working capital advances, totaling approximately \$34.6 million (68%) of the total \$50.8 million in working capital advances awarded, and requested documentation to support the amounts, such as the request and</p>	<p>Priority 1 - LAHSA management investigate records for all working capital advances, including records for the issues noted in our review, and make any necessary corrections to ensure an accurate accounting of all working capital advances.</p> <p>LAHSA's Response: Agree Target Implementation Date: March 31, 2025</p>

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION		
	ISSUE	RECOMMENDATION
	<p>approval documents, check registers/vouchers, etc. Of the \$34.6 million, LAHSA:</p> <ul style="list-style-type: none"> Understated the amount of working capital advances for two subrecipients by \$505,591. Specifically, LAHSA's accounting records understated the awarded amount by \$356,967 for one subrecipient, and by \$148,624 for the other subrecipient. Did not provide the advance request, approval, and/or disbursement documentation for eight subrecipients, totaling approximately \$5 million (14%) in working capital advances reviewed. <p>LAHSA attributed these record keeping deficiencies to various causes, including staff turnover and system changes. To ensure all working capital advances are fully accounted for, LAHSA must review all balances to ensure they are accurate and supported.</p> <p>Impact: Increased risk of misuse and/or misappropriation of funds if accounting records do not reflect actual amounts disbursed. In addition, inaccurate accounting of the Measure H working capital advances may hinder LAHSA's ability to accurately and effectively recover all funds and fully repay the County.</p>	
8	<p>Retroactive Contracts - Although LAHSA could not identify their total number of retroactive contracts in FY 2023-24 (as mentioned above in Issue No. 3), we reviewed a sample of eight contracts and noted that seven were executed retroactively in FY 2023-24. These seven contracts were executed between 23 and 170 days late, or an average of 73 days after the contract start date. While most of these contracts were executed late due to funding delays, we noted opportunities for LAHSA to improve the timeliness of contract executions. Specifically, funding for:</p> <ul style="list-style-type: none"> Five of the contracts was approved by the City on August 10, 2023, which was 40 days after the contract start date of July 1, 2023. After funding was approved, LAHSA took between ten and 130 days to execute the 	<p>Priority 1 - LAHSA management:</p> <ul style="list-style-type: none"> a) Identify internal delays in the contracting process and implement improvements to enhance the timeliness of contract executions. b) Work with funding sources, where applicable, to identify possible solutions for funding approval delays to minimize retroactive contracting. <p>LAHSA's Response: Disagree Target Implementation Date: Not Indicated</p> <p>LAHSA indicated disagreement and requested that we remove this finding. According to LAHSA, none of the contracts sampled experienced excessive delays attributable to internal issues with their contracting</p>

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION		
	ISSUE	RECOMMENDATION
	<p>contracts. Some of the later contract executions in this example appear to be excessive and the result of avoidable internal delays at LAHSA. For example, in one instance, LAHSA did not create the actual contract until 41 days after the funding was approved. It also took LAHSA another 60 days to finalize the budget with the subrecipient.</p> <ul style="list-style-type: none"> One of the contracts was approved by the County Department of Public Social Services on April 24, 2023, which was 68 days <i>before</i> the contract start date. However, LAHSA executed the contract 24 days <i>after</i> the contract start date. Similar to the example above, LAHSA did not create the actual contract until 15 days after the funding was approved, and it took LAHSA another 65 days to finalize the budget with the subrecipient. One of the contracts was approved by the City on June 1, 2023, the same date as the contract start date, and LAHSA executed the contract 23 days after the funding was approved. Although this did not appear excessively long, LAHSA may be able to identify opportunities for timelier execution (e.g., LAHSA did not create the actual contract until seven days after the funding was approved). <p>Impact: Unnecessary or avoidable delays when executing contracts, resulting in increased liability from subrecipients providing services without executed contracts and delayed payments for services provided.</p>	<p>process, and the delays were due to funder or service provider (i.e., subrecipient) delays. However, we did document instances where delays were attributable to issues with LAHSA's internal contracting processes. As indicated in the Issue section, we noted several delays with LAHSA's processes, such as when LAHSA did not create the contract until 41 days after funding was approved.</p> <p>LAHSA also indicated that the sample was not fully representative of their overall contracting operations. However, as indicated in Issue No. 3, LAHSA did not adequately track key data (e.g., contract execution dates) and therefore, LAHSA could not determine the total number of contracts that were executed either timely or retroactively in FY 2023-24.</p>
9	<p>Inadequate Contract Monitoring Plan - Organizations should develop and adhere to annual risk-based contract monitoring plans to effectively allocate resources and mitigate contracting risks. Such risks may include, but are not limited to, contractors/sub-recipients billing LAHSA for services that were not actually provided, that do not meet contract standards/requirements, and/or that were provided to ineligible or fictitious recipients.</p>	<p>Priority 1 - LAHSA management:</p> <ul style="list-style-type: none"> a) Establish a standardized risk assessment process to use in developing annual contract monitoring plans. b) Actively track the status of all contract monitoring reviews and measure performance against their contract monitoring plans at year-end.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION	
ISSUE	RECOMMENDATION
<p>While LAHSA's Contract Compliance Unit developed a FY 2023-24 Contract Monitoring Plan (Monitoring Plan), they did not have adequate processes in place to ensure the Monitoring Plan provided effective oversight of their subrecipients. Specifically, we reviewed LAHSA's processes for developing and maintaining their Monitoring Plan and noted that LAHSA did not:</p> <ul style="list-style-type: none"> • Have an adequate risk assessment process. While LAHSA identified appropriate risk factors, such as a subrecipient's noncompliance history, LAHSA did not have a systematic and documented method to evaluate and determine a subrecipient's overall risk rating/score. Instead, LAHSA relied on internal/institutional knowledge to determine the overall risk for a subrecipient, which was then used to develop their Monitoring Plan. • Track the status of all their contract monitoring reviews and as a result, could not readily determine their progress in completing the planned reviews. LAHSA should actively track the status of all contract monitoring reviews and evaluate their performance against the monitoring plans at year-end to determine whether monitoring resources are adequate. • Have an adequate process for updating their Monitoring Plan with newly executed contracts. To identify new contracts, LAHSA's Contract Compliance Unit indicated they manually run accounting and contract reports monthly to identify activity (e.g., new subrecipient payments) that may suggest new contracts. However, the Contract Compliance Unit should instead be automatically notified when new contracts are executed to ensure proper and timely subrecipient oversight and monitoring. • Have a process to ensure all subrecipients are monitored programmatically. Specifically, 54 (51%) of their 105 planned reviews did not include procedures to monitor a subrecipient's program/service 	<p>c) Implement a notification process to ensure that the Contract Compliance Unit is notified of newly executed contracts.</p> <p>d) Ensure subrecipients are monitored for all key contract requirements (e.g., programmatic requirements).</p> <p>LAHSA's Response: Disagree Implementation Date: October 31, 2024</p> <p>LAHSA indicated disagreement and requested that we remove this finding and the associated recommendations. For example, in their response, LAHSA indicated:</p> <ul style="list-style-type: none"> • They did have an adequate risk assessment process that included various risk factors. However, as indicated in the Issue section, while we acknowledged that LAHSA did identify appropriate risk factors, they did not have a systematic and documented method to determine overall risk. • They diligently track the status of all contract monitoring reviews. However, as indicated in the Issue section, LAHSA could not readily determine their progress in completing their planned reviews during our fieldwork. • Their Contract Compliance Unit receives notifications of all newly approved contracts and runs monthly reports to identify new contracts. However, during our fieldwork, LAHSA management indicated the monthly reports were the only way they could identify new contracts, and were unable to provide a comprehensive accounting of all contracts to the auditors. • The 54 reviews identified in our finding were determined to be low risk and therefore, did not require a program/service delivery review. However, given the critical nature of LAHSA's contracted services, subrecipients need regular programmatic monitoring to ensure services are appropriately provided. <p>While LAHSA indicated they disagreed with our findings and recommendations, they also indicated they implemented recommendations a), c), and d).</p>

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION		
	ISSUE	RECOMMENDATION
	<p>delivery compliance (e.g., adherence to participant eligibility requirements), and LAHSA did not have a process in place to ensure this form of monitoring would be completed during the contract term.</p> <p>Impact: Possible gaps in contract monitoring and inadequate contractor/subrecipient oversight, which may result in the waste or misuse of public funds and/or critical services not being provided.</p>	<p>LAHSA must implement the remaining recommendation to ensure adequate monitoring of their contracted services.</p>
10	<p>Lack of Contract Monitoring Standards - An effective contract monitoring function should have standards for conducting and documenting the results of their contract monitoring reviews. We found that LAHSA's contract monitoring function does not always have or adhere to standards. Specifically, we selected a sample of 10 contract monitoring reviews LAHSA conducted in FY 2023-24 and noted that:</p> <ul style="list-style-type: none"> LAHSA did not maintain adequate workpapers to support the results and conclusions for all ten reviews. Specifically, while LAHSA generally maintained workpapers (e.g., client eligibility records, cost allocation plans, etc.) for their reviews, LAHSA was unable to provide any documentation for one review, indicating the records were lost, and could not readily demonstrate how the workpapers supported their conclusions for the remaining nine reviews. Workpapers for all ten reviews did not include evidence of supervisory review. Contract monitoring reviews should be properly supervised to ensure objectives are appropriately met and supported. <p>As a result, we could not determine whether LAHSA adequately monitored their contracts to ensure subrecipients complied with their contract terms. Given the critical nature of their contracted services, LAHSA must have a robust contract monitoring function to ensure critical services are adequately provided, that recipients exist and are eligible, and that contracted funds are used for their intended purposes.</p>	<p>Priority 1 - LAHSA management:</p> <ul style="list-style-type: none"> a) Ensure adequate workpapers are maintained for all contract monitoring reviews, and consider the use of audit workpaper software to ensure consistency and efficiency. b) Contract monitoring reviews are properly supervised, and evidence of supervision is documented. <p>LAHSA's Response: Agree Target Implementation Date: February 28, 2025</p>

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

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	<p>Impact: Increased risk that contract monitoring reviews are not properly conducted, potentially resulting in various issues going undetected, such as funds not used for their intended purposes, misuse and misappropriation of funds, services not provided and/or not provided in accordance with contract terms and other noncompliance issues.</p>	
11	<p>Delays with Reimbursement Claims - As mentioned above, LAHSA is primarily a pass-through governmental agency, and typically must wait for invoices from their subrecipients before submitting their own reimbursement claims to their funders. While these claims should be submitted timely to ensure adequate cash flow, we noted instances where claims were excessively late. Specifically, of the 13 LAHSA reimbursement claims we reviewed:</p> <ul style="list-style-type: none"> One claim to the County, totaling \$487,125, was submitted 214 days after the end of the billing month when LAHSA's County OA requires they submit claims within 30 days. LAHSA indicated this was due to their subrecipients not submitting year-end invoices timely and delays with their own year-end reconciliation and close-out processes. One claim to HUD, totaling \$126,168, was submitted 144 days after the billing month, and while there was no submission deadline, the delay appeared excessive. LAHSA indicated the subrecipient could not submit their invoices in EGMS due to pending contract amendments. In addition, we contacted the subrecipient who cited additional issues, such as barriers with accessing EGMS and complexities with the system. <p>In addition, we reviewed a sample of 20 subrecipient monthly invoices to LAHSA from FY 2023-24 and noted that 12 (60%) were not submitted by the 15th of the following month, as required by their contracts. According to LAHSA, there were no barriers that prevented the subrecipients from submitting their invoices timely. We attempted to contact the</p>	<p>Priority 2 - LAHSA management:</p> <ul style="list-style-type: none"> a) Monitor subrecipients to identify and address barriers in submitting their invoices to ensure they are submitted timely as required by their contracts. b) Ensure their own reimbursement claims to funders are submitted timely. <p>LAHSA's Response: Agree Target Implementation Date: February 28, 2025</p>

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

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	<p>subrecipients, and while only two responded, they confirmed that the late submissions were due to internal issues, such as inadequate oversight and staff turnover.</p> <p>LAHSA should monitor their subrecipients and address barriers, where appropriate, to ensure invoices are submitted by the required deadlines since late submissions delay their own reimbursement claims, as evidenced by the findings detailed above.</p> <p>Impact: Delayed reimbursement claims by LAHSA and invoices from subrecipients can negatively impact the budget processes for LAHSA's funders, and delayed payments can cause cash flow issues for both LAHSA and their subrecipients. In addition, funds may go unspent or underutilized when claims are not submitted timely.</p>	
12	<p>Did Not Complete Planned Audits - While LAHSA has an Internal Audit Unit to evaluate internal controls, compliance, and operational efficiencies, we noted that LAHSA did not complete any of the four planned audits in FY 2022-23 and carried over the audits to their FY 2023-24 Internal Audit Plan. In addition, LAHSA indicated they only initiated two (50%) of the four planned audits for FY 2023-24, both of which began in May 2024, and attributed the audit delays to emerging issues. While deviations from internal audit plans are not uncommon, LAHSA's lack of adherence to their plans for the past two fiscal years and overall lack of internal audit activity raises concerns about the adequacy and capability of their internal audit function.</p> <p>In addition, according to LAHSA's Internal Audit Charter, LAHSA adheres to the International Standards for the Professional Practice of Internal Auditing (Standards). However, LAHSA did not communicate the deviation from their planned work to senior management and their governing body for review and approval, as required by Section 2020 of the Standards. To maintain a robust internal audit function, LAHSA should ensure they have adequate resources to complete the work in their annual internal audit</p>	<p>Priority 2 - LAHSA management ensure:</p> <p>a) Internal audit resources are adequate to complete the audits in the annual audit plans.</p> <p>b) Deviations from annual audit plans are reviewed and approved by the appropriate parties.</p> <p>LAHSA's Response: Partially Disagree Implementation Date: October 25, 2024</p> <p>LAHSA partially disagreed and requested this finding be reduced to a Priority 3, citing that status updates and deviations from the Audit Plan were communicated to LAHSA's Management Committee. However, LAHSA communicated the deviations from their audit plan after the fact. As mentioned in the Issues section, deviations from the Audit Plan should be communicated for review and approval before changes are adopted.</p>

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	<p>plans, and that any deviations are reviewed and approved as required.</p> <p>Impact: Increased risk of errors, fraud, noncompliance, and other operational weaknesses and inefficiencies going undetected.</p>	
13	<p>Internal Audit Risk Assessment Not Completed Annually - An internal audit function's work must be based on documented risk assessments that are completed at least annually, which in turn, guide the development of annual internal audit plans. However, LAHSA's Internal Audit Unit did not complete a risk assessment to develop their FY 2023-24 Internal Audit Plan as required by Section 2010A.1 of the Standards. Instead, LAHSA carried over their FY 2022-23 planned internal audits to FY 2023-24, as mentioned in Issue No. 12. According to LAHSA management, this was due to capacity issues and the ongoing prevalence of the issues identified in their FY 2022-23 risk assessment.</p> <p>Impact: Emerging risks may go undetected/ unevaluated, which may result in utilizing audit resources on less critical assignments.</p>	<p>Priority 2 - LAHSA management ensure risk assessments are completed annually to develop their internal audit plans.</p> <p>LAHSA's Response: Partially Disagree Implementation Date: October 25, 2024</p> <p>LAHSA partially disagreed and requested this finding be reduced to a Priority 3, citing that they assessed the situation and decided to carry over the FY 2022-23 methodology and results at their discretion. However, risk assessments must be completed annually as required by the Standards and ultimately, LAHSA indicated they will implement our recommendation.</p>
14	<p>Internal Audit Independence - LAHSA's Director of Risk Management oversees their Internal Audit Unit, serving as their Chief Audit Executive (CAE), and also has oversight of LAHSA's Legal Operations, Investigations, Third Party Audits, Risk Management, and Quality Standards Units. According to Section 1112 of the Standards, where a CAE has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity. However, LAHSA did not provide formal action plans that outlined specific safeguards in place to address perceived or actual impairments to independence.</p> <p>In addition, Section 7.1 of the new 2024 Global Internal Audit Standards, which must be adopted in 2025, requires the roles and responsibilities that go beyond internal audit, and the established safeguards be documented in the Internal Audit Charter (Charter). However, LAHSA's Charter, which was last updated in 2018, did not</p>	<p>Priority 3 - LAHSA management identify and document the CAE's roles and responsibilities that fall outside internal auditing, and the established safeguards to limit impairments to independence or objectivity in LAHSA's Internal Audit Charter.</p> <p>LAHSA's Response: Partially Disagree Implementation Date: October 25, 2024</p> <p>LAHSA partially disagreed and requested that we remove this finding and the associated recommendations, citing that they had already taken steps towards greater independence and had also revised their Internal Audit Charter. However, our findings were accurate at the time of our fieldwork, and their Internal Audit Charter was not revised until after our review.</p>

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

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	<p>document the CAE's other responsibilities and established safeguards. LAHSA management indicated they are in the process of updating their Charter to include all the required information.</p> <p>Impact: Actual or perceived impairments to independence, which can impact the Internal Audit Unit's ability to function in an unbiased manner.</p>	
15	<p>No Quality Assurance and Improvement Program - According to Section 1300 of the Standards, the CAE must develop and maintain a Quality Assurance and Improvement Program (QAIP) that covers all aspects of the internal audit activity. The QAIP must include both internal and external assessments, and the CAE must discuss the results of the assessments with senior management and the governing body. However, LAHSA did not have a QAIP in place at the time of our review. According to LAHSA management, they will establish a QAIP and anticipate completing the assessments in FY 2024-25.</p> <p>Impact: Increased risk of nonconformance with the Standards, which can negatively impact the quality of an internal audit function.</p>	<p>Priority 3 - LAHSA management:</p> <ul style="list-style-type: none"> a) Establish a Quality Assurance and Improvement Program. b) Ensure internal and external assessments are completed as required by the Standards. c) Ensure results are communicated to senior management and their governing body. <p>LAHSA's Response: Partially Disagree Implementation Date: June 30, 2025</p> <p>Although LAHSA's response indicated partial disagreement with our finding and recommendations, LAHSA did not specify any areas of disagreement. However, LAHSA did indicate that the Standards acknowledge that public sector entities like LAHSA face unique challenges that can impact the ability to fund and implement QAIP. Ultimately, LAHSA indicated they will implement our recommendations provided funding is available.</p>
16	<p>Key Performance Indicators Not Established - Key performance indicators (KPIs) are metrics that are used to measure how well an organization is performing a given function. When evaluated regularly, KPIs can help identify areas for improvement, help make decisions and prioritize actions, and detect patterns and trends over time and reveal improvement opportunities. While LAHSA had not yet established KPIs for their Internal Audit Unit at the time of our review, LAHSA did establish a new policy in May 2024 governing the development and implementation of KPIs. The new policy applies to all functions, and LAHSA indicated they expect KPIs will be finalized in FY 2024-25.</p>	<p>Priority 3 - LAHSA management ensure KPIs are finalized and implemented where applicable, and establish a mechanism for collecting, analyzing, and reporting KPIs to the appropriate parties.</p> <p>LAHSA's Response: Partially Disagree Implementation Date: June 30, 2025</p> <p>Although LAHSA's response indicated partial disagreement with our finding and recommendation, LAHSA did not specify any areas of disagreement. LAHSA acknowledged their Internal Audit KPIs were in draft form at the time of our review and indicated they will implement our recommendation.</p>

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION	
ISSUE	RECOMMENDATION
Impact: Not measuring performance diminishes the organization's ability to determine whether they are effectively meeting their objectives.	

For more information on our auditing process, including recommendation priority rankings and the resolution process, visit <http://auditor.lacounty.gov/contract-monitoring-audit-process-information/>.

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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ASSISTANT AUDITOR-CONTROLLERS

MAJIDA ADNAN
ROBERT G. CAMPBELL

April 23, 2024

TO: Each Supervisor

FROM: Oscar Valdez, Auditor-Controller 

SUBJECT: **LOS ANGELES HOMELESS SERVICES AUTHORITY – FISCAL AUDIT SCOPE OF WORK (February 27, 2024, Board Agenda Item 4)**

On February 27, 2024, your Board instructed the Auditor-Controller (A-C), in collaboration with the Chief Executive Officer (CEO), relevant County departments, and the Los Angeles Homeless Services Authority (LAHSA), to conduct an audit of LAHSA's fiscal operations, including but not limited to the Finance, Contracts, Risk Management, and Grants Management and Compliance units. In addition, the motion instructed a report back within 60 days with a detailed scope of work, including, if needed, expansion of the audit scope to potentially include a strategic business process analysis and workplan based on the audit's findings, and also delegated authority to the A-C to enter into negotiations and execute contract amendments to perform the audit and aforementioned directives.

In collaboration with the CEO and LAHSA, we identified key focus areas for the units indicated in the motion and developed the attached scope of work. The potential need for a strategic business process analysis and workplan will be determined based on the audit results. Therefore, after the review, we will work with the CEO and LAHSA on whether the analysis is needed, including possibly engaging a consultant to complete the work.

We determined the proposed scope of work can be completed with existing A-C resources and unless otherwise instructed, we plan to begin this audit no later than July 2024. If you have any questions please call me, or your staff may contact Terri Kasman at tkasman@auditor.lacounty.gov.

OV:CY:RGC:TK:JH:meb

Attachment

c: Fesia A. Davenport, Chief Executive Officer
Jeff Levinson, Interim Executive Officer, Board of Supervisors
Va Lecia Adams Kellum, Ph.D., Chief Executive Officer, LAHSA

Los Angeles Homeless Services Authority – Fiscal Audit (February 27, 2024, Board Agenda Item 4)

Scope of Work¹

Finance

Objective:

Determine whether Los Angeles Homeless Services Authority (LAHSA) meets their financial obligations and pays their subrecipients timely, and where applicable, whether its Finance functions are appropriately supported by the Finance staff and other organizational units to meet their objectives.

1. Reimbursement Claims

- A. Assess whether LAHSA submits their reimbursement claims to their funding sources timely.
 - i. Obtain an understanding of LAHSA's process for submitting reimbursement claims to their funding sources.
 - ii. Determine LAHSA's billing process requirements by funding source.
 - iii. Assess whether LAHSA follows their policies and procedures and/or has adequate controls in place to ensure reimbursement claims are submitted to their funding sources timely.
 - iv. Determine the cause of any delays in submitting reimbursement claims to their funding sources.

2. Cash Advances

- A. Assess whether LAHSA appropriately accounts for cash advances in their accounting records, whether LAHSA regularly reconciles the cash advances to their actual expenditures, and whether cash advances are used for their intended purpose.
 - i. Cash Advances from Funding Sources
 - a. Obtain an understanding of LAHSA's cash advance process for requesting cash advances from their funding sources.

¹ Procedures may be modified throughout the review to ensure risks identified during the review are addressed and the objectives are met.

- b. Inquire with LAHSA management to identify which funding sources allow for cash advances and whether any cash advances were requested/received.
- c. Determine if LAHSA is utilizing all available cash advances from their funding sources.
 - 1. If LAHSA is not utilizing all available cash advances, determine what prevents LAHSA from maximizing available cash advances.

ii. Cash Advances to Subrecipients

- a. Obtain an understanding of LAHSA's process for paying and reconciling cash advances to subrecipients.
- b. Determine LAHSA's requirements for providing and reconciling cash advances to subrecipients.
- c. Assess whether cash advances are appropriately accounted for in LAHSA's financial records and whether LAHSA reconciles cash advances to actual expenditures.
- d. Determine whether the reconciliations are appropriate and consistent with funding source requirements and/or best practices.

3. Subrecipient Invoices/Payments

- A. Assess LAHSA's subrecipient invoice and payment processes to determine whether LAHSA processes invoices and remits payments to their subrecipients timely.
 - i. Obtain an understanding of LAHSA's subrecipient invoice and payment process.
 - ii. Determine LAHSA's disbursements requirements by funding source.
 - iii. Obtain relevant invoice and payment documentation and assess whether LAHSA follows their policies and procedures and/or has adequate internal controls over their subrecipient invoice and payment processes.
 - a. If invoice/payment processing delays are identified, select a sample of invoices to determine the causes of delays in the invoice/payment lifecycle.

Contracts

Objective:

Determine whether LAHSA's Contracts and Procurement unit executes contracts timely, and where applicable, whether the contracting functions are appropriately supported by unit's staff and other organizational units within LAHSA to meet their objectives.

1. Timeliness of contract executions within the last year
 - A. Obtain relevant documentation to assess whether contracts were executed timely within the last year.
 - i. If retroactive contracts are identified, select a sample of retroactive contracts to determine the causes of delays in the contract lifecycle.

Grants Management and Compliance

Objective:

Determine whether LAHSA's Grants Management and Compliance unit has adequate policies and procedures in place to effectively identify and assess the risks associated with LAHSA's contractors/subrecipients, and whether LAHSA periodically monitors their contractors/subrecipients for compliance with contractual requirements. Where applicable, assess whether its contract monitoring functions are appropriately supported by the contract monitoring staff and other organizational units to meet their objectives.

1. Roles and responsibilities
 - A. Determine if roles and responsibilities of their contract monitoring staff are clearly defined.
2. Risk-based Contract Monitoring Plan
 - A. Determine if LAHSA adequately prepares an annual risk-based contract monitoring plan.
 - i. Meet with the LAHSA's contract compliance unit and obtain an understanding of their risk assessment process.
 - ii. Determine if LAHSA adequately performed an annual risk assessment and used it to develop a risk-based contract monitoring plan.

- iii. Obtain the contract monitoring plan to assess whether LAHSA is complying with their plan.
- iv. Assess LAHSA's process for updating their contract monitoring plan and whether the contract monitoring plan and updates are appropriately shared with management.

3. Contract Monitoring Engagement and Follow-Up Procedures

- A. Determine if LAHSA has policies and procedures for documenting, conducting, reporting and following-up on the results of their contract monitoring process, and whether the monitoring procedures are appropriate.
 - i. Meet with LAHSA's contract compliance unit and obtain an understanding of their policies and procedures.
 - ii. Review a sample of contract monitoring engagements to determine whether key areas are appropriately monitored.
 - iii. Determine whether LAHSA has a standardized process for reporting the results of their contract monitoring reviews, and whether the results are shared with the appropriate parties.
 - iv. Evaluate LAHSA's post-monitoring resolution process to determine if adequate measures are in place to ensure contractor compliance.

Risk Management

Objective:

Determine whether LAHSA's Risk Management unit has adequate policies and procedures in place to effectively identify and assess organizational/operational risks, and whether LAHSA periodically conducts internal audits of LAHSA's operations to measure and evaluate its performance. Where applicable, assess whether its internal audit functions are appropriately supported by the Risk Management staff and other organizational units to meet their objectives.

1. Professional Standards

- A. Determine whether LAHSA's internal audit unit conducts internal audits in accordance with professional standards.
 - i. Interview LAHSA management to determine whether they have developed an internal audit charter and policies and procedures to guide the internal audit activity.

- ii. If applicable, obtain and review the internal audit charter and the policies and procedures to assess compliance with professional standards.
- iii. Determine whether the internal audit's functional reporting promotes organizational independence.

2. Risk-Based Internal Audit Plan

- A. Determine whether LAHSA established a risk-based audit plan to appropriately guide their internal audit activity.
 - i. Meet with the LAHSA's internal audit unit and obtain an understanding of their risk assessment policies and procedures.
 - ii. Determine if LAHSA adequately performed an annual risk assessment and used it to develop a risk-based internal audit plan.
 - iii. Assess LAHSA's process for communicating the internal audit activity's plans and resource requirements, including changes, to senior management and their governing body.
 - iv. Obtain the internal audit plan to assess whether LAHSA is complying with their plan.

3. Key Performance Indicators

- A. Determine whether LAHSA has established Key Performance Indicators (KPI) to measure the internal audit unit's performance.
 - i. Meet with LAHSA's management to determine if they have identified quantifiable performance measures.
 - ii. Determine whether LAHSA has established a mechanism for collecting, analyzing, and reporting KPI results.
 - iii. Assess LAHSA's process for summarizing, reporting, and communicating KPI results to LAHSA management and their governing body.



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November 7, 2024

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 – Finance, Contracts, Risk Management, and Grants Management Review (February 27, 2024, Board Agenda Item 4)

Dear Mr. Valdez:

Attached is the Los Angeles Homeless Services Authority's (LAHSA) response to the Finance, Contracts, Risk Management, and Grants Management Review conducted by the Auditor-Controller at the request of the Board of Supervisors. LAHSA's response includes both broad contextual dynamics and key factors it deems important to note and acknowledge, as well as more specific comments and proposed modifications regarding the issues themselves. LAHSA respectfully requests that the County consider and incorporate these points in the Final Audit Report.

Context Considerations

The period of the Audit (FY16-17 through FY23-24) captured a time of rapid growth and expansion for LAHSA, both in its organizational size, scope, and nature of its functions. Specifically, during this period, LAHSA both:

1. Grew from a more conventional pass-through grant and contract administrator into a systems administrator with significant programmatic and direct services roles, as a result of Measure H; and
2. Rapidly underwent a complete agency-wide reorientation (from FY19-20 to FY21-22) to primarily focus on public health response functions, as required by the unprecedented coronavirus (COVID-19) pandemic, which demanded similar extraordinary restructuring, expenditures, and personnel use from other public sector entities during that time, including the City and County of Los Angeles.

Multiple Issues identified in the Draft Audit Report (especially those associated with service provider advance payments and recoupments) are, in whole or in part, attributable to LAHSA's fiscal practices during the COVID-19 years. Although these actions occurred prior to Dr. Adams Kellum and the current leadership team's arrival, LAHSA maintains that they were necessary and warranted. Therefore, these actions should be considered within a broader context of the public health emergency, rather than being assessed solely through the conventional accounting framework.

During the COVID-19 pandemic, LAHSA's primary objective, as directed by its government funders and partners, was to save the lives of unhoused individuals experiencing homelessness (PEH) in Los Angeles County by moving them indoors to prevent the spread of COVID-19. This goal was primarily achieved through rapid, substantial investments in programs such as Project RoomKey (PRK).

To support its service providers—many of whom faced significant financial challenges early in the pandemic—LAHSA at times made advance payments to ensure their continued operations. This approach, aimed at avoiding disruption to essential services, influenced LAHSA's decisions regarding advance payments and their recapture. Notably, the amounts under audit represent a small fraction of the total funds spent during the COVID-19 period, and an even smaller portion of LAHSA's overall budget.

Critically, LAHSA was able to account for all its funding during the COVID-19 years, since the appointment of the current leadership team in April 2023, LAHSA has continued to strengthen its commitment to responsible stewardship of public funds. This is reflected in significant improvements to its contracting and accounting processes, including:

1. Prior to Dr. Kellum's arrival, LAHSA executed only 30% of its Service Provider Contracts by the start of the Fiscal Year (July 1). In both FY23-24 and FY24-25, over 80% of contracts were executed by July 1.
2. LAHSA has significantly improved the speed of service provider payments by working with funders to develop a new advance payment model that mitigates the financial challenges providers faced due to the cost-reimbursement model.
3. LAHSA has also terminated provider contracts when financial irregularities have been found.

LAHSA highlights that this audit covers FY16-17 through FY23-24, and the spending practices captured during the COVID-19 years of this audit should be viewed as an essential investment that contributed to achieving critical public health and service delivery outcomes. As demonstrated, the funding had a substantial and lasting impact, as detailed below:

1. Success of Project Room Key (PRK): There were 4,824 permanent housing placements for PRK clients between April 2020 and February 2023 (please note these are placements, not separate individuals). As a public health response, this effort significantly reduced COVID-19 transmission, positive cases, and fatalities among participants compared to the broader County and City populations.
2. Increased Shelter Capacity: Since FY18-19, Los Angeles County has added over 10,000 shelter beds.
3. New Program Models: The success of PRK informed the development of ongoing programs such as Project HomeKey (PHK), the Inside Safe Program (ISP), and Pathway Home.
4. Reduction in Unsheltered Homelessness: In 2024, the number of unsheltered PEH countywide decreased by 5.1%, while the sheltered population increased by 12.7%, reflecting a positive trend since 2023.
5. Permanent Housing Placements: In 2023, LAHSA achieved 28,000 permanent housing placements, bringing the total to over 110,000 in the past seven years.
6. Increased Placement Speed: From 2022 to 2023, LAHSA reported a 47% increase in interim housing placements through street outreach and a 25% increase in permanent housing placements from interim housing, demonstrating improved system efficiency.

Draft Audit Issue Response Overview

Of the sixteen (16) issues presented to LAHSA in the Draft Audit Report, LAHSA agreed with five (5) issues, partially disagreed with seven (7) issues, and disagreed with four (4) issues, as outlined below:

- Issue 1: Did Not Establish Agreements for Working Capital Advances: LAHSA Disagrees
- Issue 2: Did Not Recoup Annual Cash Advances: LAHSA Partially Disagrees
- Issue 3: Inadequate Contract Data: LAHSA Agrees
- Issue 4: Inadequate Controls Over Cash Advances: LAHSA Partially Disagrees
- Issue 5: Inappropriate Use of Funds: LAHSA Disagrees
- Issue 6: Late Payments to Subrecipients: LAHSA Agrees

- Issue 7: Record-keeping Deficiencies - Working Capital Advances: LAHSA Agrees
- Issue 8: Retroactive Contracts: LAHSA Disagrees
- Issue 9: Inadequate Contract Monitoring Plan: LAHSA Disagrees
- Issue 10: Lack of Contract Monitoring Standards: LAHSA Agrees
- Issue 11: Delays with Reimbursement Claims: LAHSA Agrees
- Issue 12: Did Not Complete Planned Audits: LAHSA Partially Disagrees
- Issue 13: Internal Audit Risk Assessment Not Completed Annually: LAHSA Partially Disagrees
- Issue 14: Internal Audit Independence: LAHSA Partially Disagrees
- Issue 15: No Quality Assurance and Improvement Program: LAHSA Partially Disagrees
- Issue 16: Key Performance Indicators Not Established: LAHSA Partially Disagrees

LAHSA believes it is most appropriate for the final report to reflect the following adjustments:

- Eight (8) of the 16 issues noted in the draft report:
 - **Remove** 1, 4 (bullet points 1 and 3), 8, 9, and 14 from the audit report.
 - LAHSA believes the reasoning behind these issues is invalid, as LAHSA's current practices fully comply with regulatory, contractual, and operational requirements.
 - **Reclassify** 2 and 4 (bullet points 2 and 4) from Priority 1 to Priority 3.
 - These items have been addressed or are in the process of being addressed.
 - **Reclassify** 12 and 13 from Priority 2 to Priority 3.
 - These items have been addressed or are in the process of being addressed.
- Two (2) of the 16 issues noted in the draft report:
 - Partially disagree with 15 and 16.
- Five (5) of the 16 issues noted in the draft report:
 - Agrees with 3, 6, 7, 10, and 11.
- One (1) of the 16 issues noted in the draft report:
 - Disagree with 5.

Conclusion

LAHSA has actively collaborated with the County prior to this audit, and many of the issues identified were already recognized through our ongoing partnership. We have already begun implementing most of the recommendations, with many having already been resolved. We remain committed to our continued collaboration and to addressing the needs of the most vulnerable populations. If you or your staff have any questions or require additional information, please contact Dr. Holly Henderson, Director – Risk Management, at 213-683-3334 or hhenderson@lahsa.org.

Sincerely,

 (Nov 7, 2024 19:14 PST)

Dr. Va Lecia Adams Kellum
Chief Executive Officer

HH:MV:df

1	<p>Did Not Establish Agreements for Working Capital Advances - In FYs 2017-18 through 2019-20, the County provided LAHSA approximately \$82.5 million in Measure H working capital advances to support Measure H operations, in which LAHSA awarded \$50.8 million to various subrecipients beginning in FY 2017-18 to address cash flow needs that may occur throughout the fiscal year. According to LAHSA, the subrecipients were allowed to retain these advances across multiple FYs and were not required to repay the funds annually. LAHSA retained the remaining \$31.7 million to and awarded annual cash advances for Measure H subrecipients, as mentioned in Issue No. 2.</p> <p>However, LAHSA did not establish formal agreements with the subrecipients to determine how and when the working capital advances would be repaid. In addition, LAHSA indicated that while they initiated efforts to recoup the funds in FY 2023-24, some subrecipients reported having cash flow issues. As a result,</p>	<p>Priority 1 - LAHSA management:</p> <p>Work with subrecipients to establish agreements with repayment terms for all outstanding working capital advances.</p> <p>Provide the County CEO with quarterly updates until all advanced funds are repaid.</p> <p>LAHSA's Response: DISAGREE</p> <p>LAHSA respectfully requests that these issues and the associated recommendations be removed from the audit report.</p> <p>We disagree with this finding because the Operational Agreement between Los Angeles County and LAHSA does not require LAHSA to recoup working capital advances on an annual basis or by July 8, 2024, as stated in the report. Furthermore, the agreement does not require LAHSA to establish formal agreements with subrecipients to determine the terms or schedule for the repayment of these advances.</p> <p>LAHSA is in full compliance with the September 1, 2017, operating agreement, which states, on page 2 section c: "County shall reconcile and/or recoup all advances by the end of each fiscal year."</p> <p>The inclusion of the term "and/or" provided the County with flexibility to either recoup, reconcile, or pursue both options. The approach selected was to reconcile on an annual basis. At the close of each fiscal year, the Los Angeles County Chief Executive Office, Homeless Initiative (CEO-HI), requested that LAHSA provide a reconciliation. In response, LAHSA submitted a detailed report outlining the cash advances issued to each subrecipient, along with the remaining balances held by LAHSA.</p> <p>To date, CEO-HI has not directed LAHSA to shift from annual reconciliations to annual recoupments, nor has it raised any concern regarding the advances remaining unrecouped. In fact, as documented in the CEO Authorization for the processing of additional working capital advances dated August 22, 2019 (exhibit 1 <i>CEO Authorization for the Processing of Additional Working Capital Advances 08.22.2019.pdf</i>), LAHSA's unrecouped balance of Measure H advance funding exceeded \$71 million. This amount included funds received as far back as October 26, 2017. The authorization did not require LAHSA to recoup or repay any portion of the \$71 million in cash advances. Instead, it approved an additional \$11 million in cash advances.</p>
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	<p>The County did not attempt to recoup the cash advances because of the extended duration of the Measure H grant term and the intention for these funds to support subrecipients over multiple years. The goal was to ensure subrecipients had sufficient cash flow throughout the life of the grant.</p> <p>While LAHSA was not required to recoup advances from service providers as of July 8, 2024, LAHSA proactively began the process of recoupment in advance of the June 30, 2027, grant end date. This initiative accounts for the fact that only 5% of the advances had been recouped by that date.</p> <p>Recoupment efforts were slowed during FY 2023-24 due to the cash flow crisis, as well as the decision to offer subrecipients more flexible repayment terms. During this period, LAHSA collaborated with the County to address the cash flow challenges by implementing the Alternative Provider Payment Model.</p> <p>Although the Operational Agreement does not require LAHSA to establish formal agreements with subrecipients regarding the specifics of advance repayments, LAHSA nonetheless took the initiative to do so. We provided these agreements, along with the recoupment schedules, to the auditors during fieldwork.</p> <p>Following direction from the County CEO for LAHSA to resume recoupment efforts with subrecipients, LAHSA will provide the County CEO with quarterly updates until all advanced funds have been fully repaid.</p> <p>Target Implementation Date: N/A</p>
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TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION	
ISSUE	RECOMMENDATION
<p>LAHSA slowed their recoupment efforts and only recovered approximately \$2.5 million (5%) as of July 8, 2024.</p> <p>While LAHSA initiated attempts to recover these funds, we have concerns about LAHSA’s ability to recover all the advances given the lack of formal agreements memorializing the advances when they were issued. LAHSA must continue to actively work with the subrecipients to establish agreements that formalize how and when the outstanding working capital advances will be repaid. LAHSA must also establish controls over cash advances, including any future working capital advances, as mentioned in Issue No. 4.</p> <p>Impact: LAHSA may not be able to recover all working capital advances and as a result may not repay the County the full \$82.5 million in advanced Measure H funds.</p>	

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency’s operations if corrective action is not taken.

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2	<p>Did Not Recoup Annual Cash Advances - LAHSA has contracts with subrecipients that include provisions for annual cash advances (cash advances), which differ from working capital advances in that these funds are to be awarded and recouped by LAHSA each FY. However, LAHSA did not always recover the cash advances at year-end and had a significant amount of outstanding advances dating back to FY 2016-17, including advances with subrecipients who no longer contract with LAHSA. Specifically, LAHSA had approximately \$15 million in outstanding cash advances made to subrecipients for City, County, and State programs as of July 2024, and of those amounts, approximately \$8 million (53%) was carried over from prior FYs (i.e., FYs 2016-17 through 2022- 23), including approximately \$185,000 in advances that were provided in FY 2016-17. Of the \$8 million, approximately \$409,000 are outstanding advances to six subrecipients who no longer contract with LAHSA.</p> <p>LAHSA indicated the cash advances received from their funders were trued-up against their actual expenditures in their year-end reimbursement claims. However, LAHSA did not</p>	<p>Priority 1 - LAHSA management:</p> <p>Work with subrecipients who have overdue outstanding cash advances to recover funds.</p> <p>Ensure annual cash advances are recouped annually.</p> <p>Consult with legal counsel regarding options for recouping outstanding cash advances with subrecipients who no longer contract with LAHSA.</p> <p>LAHSA's Response: PARTIALLY DISAGREE</p> <p>LAHSA respectfully requests that this issue Priority 1 be reduced to Priority 3.</p> <p>LAHSA partially disagrees with this finding. The requirement to recoup annual advances depends on the specific funder agreement associated with each grant, and may or may not include a contractually mandated timeline for recoupment. As noted in our response to Issue #1, under the LA County Operational Agreement, cash advances received from the County are reconciled annually but are not required to be recouped. Therefore, the annual advances received from LA County, which total over \$2 million of the approximately \$8 million carried over from prior fiscal years, are fully compliant with the terms of the agreement and do not constitute an issue.</p> <ul style="list-style-type: none"> The approximately \$6 million in advances carried over from prior fiscal years were issued to service providers by LAHSA's previous management. In FY 2023-24, LAHSA's current management established repayment terms with all service providers, with final recoupments scheduled to be completed by June 30, 2026. Due to cash flow issues, LAHSA, with CEO-HI's agreement, offered flexible repayment terms to avoid further cash flow challenges. LAHSA acknowledges that, as of July 2024, some FY 2023-24 advances had not yet been recouped, but this was due to a timing issue related to pending service provider invoices, through which advances are recouped via reductions to invoiced amounts. LAHSA has implemented procedures in FY 2023-24 to ensure all current-year advances are recouped annually. Any unpaid amounts will be recovered through reductions on services provider invoices. LAHSA will consult with legal counsel by December 31, 2024, regarding options to recoup the \$409,000 in outstanding advances from service providers that have closed and are unable to repay.
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Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

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	<p>Since Dr. Adams Kellum joined LAHSA in 2023, her team has spent the past 18 months addressing and improving the contracting process to better support providers and allow them to focus on their on-the-groundwork.</p> <p>As a result, significant changes have been made to streamline operations, ensuring that providers are paid more quickly. In partnership with LA County, LAHSA implemented new, expedited payment procedures for Measure H funds in July 2024, aimed at addressing long-standing contract payment delays that have been a challenge for providers. LAHSA is also working with the City of Los Angeles to implement similar procedures for City contracts in the near future.</p> <p>Given these improvements, LAHSA respectfully requests that Priority Level 1 be reduced to Priority 3, as substantial actions have been taken to mitigate the associated risks. Repayment plans for advances carried over from prior fiscal years have been established with service providers, and LAHSA continues to work diligently with providers to recover all outstanding funds. Furthermore, LAHSA's new policies and procedures, established in FY 2023-24, ensure that annual advances are recouped annually, preventing the carryover of unrecouped funds as has occurred in the past.</p> <p>Target Implementation Date:</p> <ul style="list-style-type: none"> • Work with Service Providers who have overdue outstanding cash advances to recover funds. Partially implemented. • Recoupment of Prior Year Annual Advances - June 30, 2026. • LAHSA will consult with legal counsel no later than June 30, 2026.
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<p>recoup the \$8 million in cash advances from their subrecipients, creating an \$8 million cash deficit. LAHSA management indicated they track the outstanding cash advances as receivables in their accounting records, and the cash deficits will be resolved once the cash advances are collected from their subrecipients. LAHSA must work with their subrecipients to ensure all outstanding cash advances are recouped, and establish proper controls over future cash advances, as mentioned in Issue No. 4.</p> <p>Impact: Increased risk that LAHSA is unable to recover all cash advances, especially with subrecipients that no longer have a business relationship with LAHSA, resulting in shortfalls with funds that were intended for other programs.</p>	
<p>3 Inadequate Contract Data - LAHSA uses their Enterprise Grants Management System (EGMS) to manage the full lifecycle (i.e., pre-award to post-award phases) of their subrecipient contracts and contract amendments (referred throughout as "contracts"). However, LAHSA was unable to produce an accurate list of all their contracts in EGMS. Specifically, while LAHSA indicated they had 1,273 active contracts as of May 2024, LAHSA provided five different contract listings from EGMS that identified varying contract totals ranging from 676 to 1,078. Significantly, none of the different listings provided by LAHSA accounted for all of the active contracts LAHSA reported having. In addition, LAHSA was unable to determine the total number of contracts that were executed either timely or retroactively in FY 2023-24. This was primarily due to LAHSA not tracking key data in EGMS, or maintaining inaccurate data. For example, we reviewed a sample of eight contracts and noted that for:</p> <ul style="list-style-type: none"> All contracts, the EGMS reports did not capture the dates LAHSA's contracts were signed by all parties and executed. Six (75%) contracts, start and/or end dates captured in EGMS did not match the dates on the actual contract. 	<p>Priority 1 - LAHSA management ensure key contract information is adequately tracked, reliable, and accurate.</p> <p>LAHSA's Response: AGREE</p> <p>Dr. Adams Kellum assumed her role as CEO in March 2023 and, since then, has led substantial efforts to improve LAHSA's funding and accounting practices, both internally and in collaboration with partners in the city and county.</p> <p>Over the past 18 months, Dr. Adams Kellum's team has focused on accelerating the contract and payment process. Timely payments to providers are critical to ensure they can carry out their essential work. Recognizing the challenges posed by complex systems and prolonged wait times, LAHSA has worked with its partners to make significant improvements in these areas.</p> <p>Under new leadership, LAHSA has committed to ensuring that key contract information is tracked accurately, reliably, and in a timely manner. Efforts are underway to develop custom dashboards and reports in EGMS that will provide accurate, real-time data on critical contract metrics. Additionally, work has begun on an EGMS enhancement to track and report the dates when contracts are signed and fully executed by all parties.</p> <p>Target Implementation Date: February 28, 2025.</p>

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

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<ul style="list-style-type: none"> Four (50%) contracts, the term start dates in the actual contracts were inaccurate, which in turn, resulted in inaccurate EGMS reports. Specifically, all four were contract amendments and instead of identifying the <i>amendment</i> term start dates, LAHSA identified the start dates for the entire <i>contract</i> term. <p>Retroactive and untimely contracts have been an ongoing and recurring issue for LAHSA. Management's attempts to address these issues are impaired when they do not have reliable and accurate information about fundamental contracting metrics, such as the quantity, timeliness, and terms of their active contracts. LAHSA must ensure they adequately track and maintain contracting data to measure performance and/or identify opportunities to improve their contracting function.</p> <p>Impact: Reputational, operational, and compliance risk including, inability to fully assess contracting risk and performance, retroactive and untimely contracts, improper and late payments, lapses in critical services, administrative burden to correct data diverting resources from other tasks, and loss of trust from stakeholders.</p>	
<p>4 Inadequate Controls Over Cash Advances - In addition to the deficiencies noted in Issues No. 1 and 2, LAHSA did not have other basic controls in place to ensure cash advances were appropriate, properly accounted for, and safeguarded. For example, LAHSA did not:</p> <ul style="list-style-type: none"> Deposit cash advances received in a separate, interest-bearing account by funding source. Evaluate the subrecipients' contracting and advance repayment history prior to awarding cash advances, as stated in LAHSA's internal policy. Reconcile advances to the subrecipients' actual expenditures at least quarterly. Establish clear policies and procedures that address the recoupment of outstanding cash 	<p>Priority 1 - LAHSA management implement adequate controls, including the controls identified in this report, to ensure cash advances are appropriate, properly accounted for, and safeguarded.</p> <p>LAHSA's Response: PARTIALLY DISAGREE</p> <p>LAHSA respectfully requests that this issue Priority 1 be reduced to Priority 3. LAHSA also requests Bullets 1 & 3 be removed from the report.</p> <p>LAHSA disagrees that two of the four observations noted (bullets 1 and 3) are issues warranting an audit finding. We also disagree that the conditions observed justify a Priority 3 Finding, which signifies a severe financial or operational risk.</p> <p>With regards to bullet 1, depositing cash advances received in separate, interest-bearing accounts by funding source is not required by the County's Operating Agreement. In accordance with Generally Accepted Accounting Principles (GAAP) and the Code of Federal Regulations (2 CFR 200) and in</p>

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

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	<p>compliance with the LA County Operating Agreement, advances received are effectively separated by grant in our fund accounting system, and are deposited in LAHSA's operating account, an interest-bearing account, which enables LAHSA to quickly disburse funds to Service Providers.</p> <p>With regards to bullet 3, LAHSA receives funding from a multitude of governing bodies and private organizations and maintains compliance with each funder's requirements, and since quarterly Service Provider advance reconciliations are not consistent with the terms in all Funder's operational agreements, LAHSA does not agree that lack of quarterly reconciliations warrants an audit finding.</p> <p>For example, LAHSA reconciles advances received from the County of Los Angeles in accordance with the County's Operating Agreement, which makes no reference to quarterly reconciliations and specified advances are to be reconciled on an annual basis. Thus, LAHSA, in compliance with the Operating Agreement, reconciles Service Provider advances annually and provides the reconciliation to the CEO-HI.</p> <p>Bullets 2 and 4, the management team that pre-dated Dr. Adams Kellum have been addressed by LAHSA's new financial leadership and the corrective actions detailed below have significantly mitigated risks.</p> <p>Therefore, we request this issue priority rating be adjusted to Priority 3, to more appropriately reflect the risk associated with the conditions observed and mitigation of risk associated with our corrective action plans.</p> <p>Finding Bullet 1 – LAHSA requests removal of this issue from the audit report.</p> <p>The Operating Agreement between the County and LAHSA does not require separate interest bearing accounts and permits the use of cost centers. It states:</p> <p>"LAHSA shall maintain a system of accounting records that clearly identify the revenues and expenditures for each HI strategy by the use of cost centers or separate accounts.</p> <p>Therefore, advances from various funding sources are recorded and tracked through LAHSA's Fund Accounting system/Cost Centers. Specifically, each advance is associated with a unique Grant Number applicable to only one funding source.</p> <p>LAHSA has already established adequate controls to ensure that cash advances are appropriately accounted for and safeguarded and comply with the existing funding agreement.</p>
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	<p>Finding Bullet 2 – LAHSA agrees that historically it did not evaluate Service Providers’ contracting and advance repayment histories prior to awarding cash advances.</p> <p>Upon review, we identified that the lapse occurred due to staff turnover and lack of awareness of the existing policy. To address this, we are implementing the following corrective actions:</p> <ul style="list-style-type: none"> • Training and Awareness: We will conduct mandatory training sessions for all relevant staff to ensure they are fully aware of and understand the importance of this policy no later than March 31, 2025. • Process Improvements: We are enhancing our internal processes by introducing additional checks and balances. This includes requiring Director and CFO approvals before cash advances are awarded to Service Providers. <p>Finding Bullet 3 – LAHSA requests removal of this issue from the audit report.</p> <p>The County of Los Angeles Operating Agreement does not require advances to be reconciled to the Service Providers’ actual expenditure quarterly.</p> <p>The Agreement specifies that advances are to be reconciled and/or recouped by the end of each fiscal year.” LAHSA adheres to this contractual obligation.</p> <p>Finding Bullet 4 –LAHSA agrees that historically it did not establish clear policies and procedures that address the recoupment of outstanding cash advances.</p> <p>Under new financial leadership, LAHSA has established clear policies and procedures that address the recoupment of outstanding cash advances, including timelines for follow ups, and for non-responsive Service Providers.</p> <p>Since Finding Bullets 1 and 3 are not related to established requirements, and since LAHSA is in compliance with the applicable requirements, and since the issues noted in bullets 2 and 4 have been addressed by current management and the associated risks mitigated, LAHSA requests the Priority Level be reduced to Priority Level 3 as there is no significant risk posed to LAHSA at this time.</p> <p>Target Implementation Date:</p> <ul style="list-style-type: none"> • Evaluate the Service Providers’ contracting and advance repayment history prior to awarding cash
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LOS ANGELES COUNTY AUDITOR-CONTROLLER

		<p>advances, as stated in LAHSA's internal policy. Implemented November 1, 2024.</p> <ul style="list-style-type: none">• Establish clear policies and procedures that address the recoupment of outstanding cash advances November 1, 2024.
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<p>advances, including timelines for follow-ups and remedies for non-responsive subrecipients.</p> <p>In response to a County Board motion on May 21, 2024, the County's CEO implemented an alternative funding model for Measure H funded contracts, which provided LAHSA with quarterly cash advances, where LAHSA will in turn provide monthly advances to their subrecipients. As of September 6, 2024, the County had already provided LAHSA with \$115,658,400 in Measure H advances for FY 2024-25. Given that this new model increases the number and amount of cash advances received and disbursed, LAHSA must strengthen controls to ensure all cash advances are properly accounted for and used for their intended purpose.</p> <p>Impact: Increased risk that cash advances are not used for their intended purpose and may not be fully recovered.</p>	
<p>5 Inappropriate Use of Funds - As a pass-through governmental agency, LAHSA submits reimbursement claims to its funders and must typically wait to be reimbursed before remitting payments to their subrecipients, unless other resources, such as cash advances, are made available by the funders. However, we noted instances where LAHSA paid their subrecipients prior to receiving reimbursement from funders who did not provide cash advances during FY 2023-24. To make these payments, LAHSA used funds received from other government funders even though the services being paid for were not contracted by those funders. Specifically, from our sample of subrecipient payments made in FY 2023-24, we noted that LAHSA paid:</p> <ul style="list-style-type: none"> One subrecipient for a federal Department of Housing and Urban Development (HUD) program 16 days prior to LAHSA receiving reimbursement, totaling \$126,168. One subrecipient for a County (non-Measure H) program 14 days prior to 	<p>Priority 1 - LAHSA management ensure:</p> <p>Available funds are only used for their intended purposes.</p> <p>Fund balances are monitored to verify program funding is available prior to remitting payments to subrecipients.</p> <p>LAHSA's Response: DISAGREE</p> <p>Throughout the pandemic, LAHSA's leadership worked closely with funders and service provider partners to ensure continuity of essential services, allowing organizations to remain operational and frontline staff to continue supporting those in need.</p> <p>In response to evolving financial circumstances, LAHSA has implemented changes to its payment protocols. The agency has discontinued the practice of making payments to service providers prior to receiving reimbursement from funders, and no longer provides cash advances to providers facing urgent cash flow crises.</p> <p>Additionally, LAHSA has strengthened its internal controls to ensure that available funds are allocated solely for their intended purposes. To further enhance fiscal oversight, LAHSA will actively monitor program fund balances to</p>

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

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		<p>confirm the availability of funding before processing any payments to service providers.</p> <p>Target Implementation Date: Implemented July 1, 2024.</p>
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ISSUE	RECOMMENDATION
<p>LAHSA receiving reimbursement, totaling \$31,770.</p> <p>LAHSA confirmed they used other available funding unrelated to the programs to pay the subrecipients. LAHSA must discontinue this practice to ensure financial resources and operations for other programs are not inappropriately (and negatively) impacted.</p> <p>Impact: Using funds received from one government funder to pay for services provided under another government funder's contract/ grant constitutes a misuse of those funds, and increases the risk that funder payments are not available for the purposes they were claimed and received. This indicates weaknesses in internal controls and financial management practices, and may result in unintended cash flow issues for various programs and could expose LAHSA to administrative contractual remedies from funders.</p>	
<p>6 Late Payments to Subrecipients - LAHSA did not always pay subrecipients timely even when LAHSA had received payment for services from its funders. Our review of 13 subrecipient payments made between July 2023 through May 2024 noted that five (38%) of those payments were late. Specifically:</p> <ul style="list-style-type: none"> Two were paid 53 and 68 business days after the receipt of the subrecipient invoices, respectively, even though these payments were Measure H funded and LAHSA should have had cash advances available to pay within 45 days of receiving the invoices, as stated in their subrecipient contracts. In addition, for one of the invoices, it took LAHSA 51 business days after receiving reimbursement from the County to remit payment to the subrecipient, even though LAHSA indicated their internal metric is to pay within 15 business days of receiving payment from the funder. Two were paid 42 and 50 business days after the receipt of the subrecipient invoices, respectively, even though LAHSA already received the funding in advance for these 	<p>Priority 1 - LAHSA management:</p> <p>Ensure subrecipients are paid timely when cash advances are available or after reimbursement is received from funding sources.</p> <p>Develop strategies for managing cash flow to ensure sufficient funds are available to meet their financial obligations.</p> <p>LAHSA's Response: AGREE</p> <p>Since Dr. Adams Kellum's appointment as CEO, her leadership team has prioritized significant improvements to LAHSA's contracting processes, with a focus on enabling service providers to carry out their critical work in the field without unnecessary administrative burdens.</p> <p>Under Dr. Adams Kellum's guidance, LAHSA has expedited the contracting and payment cycles, recognizing that providers must receive timely payments to sustain their essential operations. Previous inefficiencies, such as overly complex systems and lengthy delays, were identified as barriers to effective service delivery. Over the past two years, LAHSA has worked closely with its partners to implement substantial improvements, reducing the administrative obstacles that providers with experience.</p>

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

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	<p>Upon assuming her role, Dr. Adams Kellum set a key goal for the Contracts Department: to increase the percentage of contracts executed from 30% to 80% by the end of the next fiscal year, June 30. The department not only met this goal but successfully repeated the achievement in 2024. These results were made possible by the implementation of new, streamlined processes that also ensure long-term sustainability for LAHSA staff.</p> <p>Target Implementation Date: Implemented July 1, 2024.</p>
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<p>services. The payments were for a State funded program in which LAHSA received advanced installment payments in place of having to submit reimbursement claims.</p> <ul style="list-style-type: none"> One was paid 55 business days after LAHSA received reimbursement from the funding source (i.e., the City). As mentioned above, LAHSA indicated their internal metric is to pay within 15 business days. <p>LAHSA indicated the late payments were due to cash flow issues. However, as noted in Issues No. 1 and 2, LAHSA received \$82.5 million in working capital advances from the County, and also received cash advances from various other funding sources which were subsequently awarded to subrecipients and not recouped as required, creating a cash deficit. To ensure sufficient funds are available to meet their financial obligations, LAHSA should develop strategies to enhance their cash flow management.</p> <p>Impact: Delayed payments can negatively affect a subrecipient's cash flow and their ability to provide critical client services.</p>	
<p>7 Record-keeping Deficiencies - Working Capital Advances - LAHSA used various methods to track their Measure H working capital advances provided to subrecipients, including their Working Capital Recoup Tracker report, which is generated from LAHSA's accounting records. We obtained a copy of this report and selected a sample of transactions to validate the accuracy of the information. Specifically, we selected 12 (33%) of the 36 subrecipients that received working capital advances, totaling approximately \$34.6 million (68%) of the total \$50.8 million in working capital advances awarded, and requested documentation to support the amounts, such as the request and approval documents, check registers/vouchers, etc. Of the \$34.6 million, LAHSA:</p> <ul style="list-style-type: none"> Understated the amount of working capital advances for two subrecipients by \$505,591. Specifically, LAHSA's accounting records understated the awarded amount by 	<p>Priority 1 - LAHSA management investigate records for all working capital advances, including records for the issues noted in our review, and make any necessary corrections to ensure an accurate accounting of all working capital advances.</p> <p>LAHSA's Response: AGREE</p> <p>The understated amounts of \$356,967 and \$148,624 represent 1.03% and 0.43% respectively, and total 1.46% of the \$34.6 million of Measure H Working Capital sampled, and this error is significantly below any reasonable materiality threshold.</p> <p>LAHSA acknowledges that we were unable to provide the advance request, approval, and/or disbursement documentation for all Service Providers sampled at the time of the request. This was due to a high volume of competing urgent requests that exceeded our staff's capacity to respond within the required timeframe. However, we were able to successfully provide 86% of the requested supporting documentation.</p> <p>Target Implementation Date: March 31, 2025.</p>

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

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<p>\$356,967 for one subrecipient, and by \$148,624 for the other subrecipient.</p> <ul style="list-style-type: none"> Did not provide the advance request, approval, and/or disbursement documentation for eight subrecipients, totaling approximately \$5 million (14%) in working capital advances reviewed. <p>LAHSA attributed these record keeping deficiencies to various causes, including staff turnover and system changes. To ensure all working capital advances are fully accounted for, LAHSA must review all balances to ensure they are accurate and supported.</p> <p>Impact: Increased risk of misuse and/or misappropriation of funds if accounting records do not reflect actual amounts disbursed. In addition, inaccurate accounting of the Measure H working capital advances may hinder LAHSA's ability to accurately and effectively recover all funds and fully repay the County.</p>	
<p>8 Retroactive Contracts - Although LAHSA could not identify their total number of retroactive contracts in FY 2023-24 (as mentioned above in Issue No. 3), we reviewed a sample of eight contracts and noted that seven were executed retroactively in FY 2023-24. These seven contracts were executed between 23 and 170 days late, or an average of 73 days after the contract start date. While most of these contracts were executed late due to funding delays, we noted opportunities for LAHSA to improve the timeliness of contract executions. Specifically, funding for:</p> <ul style="list-style-type: none"> Five of the contracts was approved by the City on August 10, 2023, which was 40 days after the contract start date of July 1, 2023. After funding was approved, LAHSA took between ten and 130 days to execute the contracts. Some of the later contract executions in this example appear to be excessive and the result of avoidable internal delays at LAHSA. For example, in one instance, LAHSA did not create the actual contract until 41 days after the funding was approved. It also took LAHSA another 60 	<p>Priority 1 - LAHSA management:</p> <p>Identify internal delays in the contracting process and implement improvements to enhance the timeliness of contract executions.</p> <p>Work with funding sources, where applicable, to identify possible solutions for funding approval delays to minimize retroactive contracting.</p> <p>LAHSA's Response: DISAGREE</p> <p>LAHSA respectfully requests that this issue be removed from the Audit Report.</p> <p>None of the contracts sampled experienced excessive delays attributable to internal issues within LAHSA's contracting process.</p> <p>Under new leadership, LAHSA has made significant improvements to expedite the contracting and payment process, ensuring providers can continue their vital work addressing homelessness. Over the past two years, LAHSA has worked closely with its partners to streamline systems and reduce delays.</p>

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

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	<p>When Dr. Adams Kellum became CEO, she set a goal for the contracting team to increase the number of contracts executed from 30% to 80% by June 30. This goal was achieved and repeated in 2024, with new, sustainable processes in place.</p> <p>Of the seven sampled retroactive contracts, six were delayed due to funder or service provider delays, not LAHSA's internal contracting process. As noted in the report, LAHSA executed one contract 23 days after funding approval—an acceptable timeframe given the complexity of the Inside Safe program, which was part of an emergency declaration.</p> <p>Additionally, the audit sample was not fully representative of LAHSA's overall contracting operations. Of the eight contracts sampled, five were specific to the Inside Safe program, which was still being developed and faced unique challenges, including delays in provider budgets and contract adjustments. While LAHSA followed up on these issues, the completion timelines were outside of LAHSA's control.</p> <p>Target Implementation Date: N/A</p>
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<p>days to finalize the budget with the subrecipient.</p> <ul style="list-style-type: none"> One of the contracts was approved by the County Department of Public Social Services on April 24, 2023, which was 68 days <i>before</i> the contract start date. However, LAHSA executed the contract 24 days <i>after</i> the contract start date. Similar to the example above, LAHSA did not create the actual contract until 15 days after the funding was approved, and it took LAHSA another 65 days to finalize the budget with the subrecipient. One of the contracts was approved by the City on June 1, 2023, the same date as the contract start date, and LAHSA executed the contract 23 days after the funding was approved. Although this did not appear excessively long, LAHSA may be able to identify opportunities for timelier execution (e.g., LAHSA did not create the actual contract until seven days after the funding was approved). <p>Impact: Unnecessary or avoidable delays when executing contracts, resulting in increased liability from subrecipients providing services without executed contracts and delayed payments for services provided.</p>	
<p>9 Inadequate Contract Monitoring Plan - Organizations should develop and adhere to annual risk-based contract monitoring plans to effectively allocate resources and mitigate contracting risks. Such risks may include, but are not limited to, contractors/sub-recipients billing LAHSA for services that were not actually provided, that do not meet contract standards/requirements, and/or that were provided to ineligible or fictitious recipients. While LAHSA's Contract Compliance Unit developed a FY 2023-24 Contract Monitoring Plan (Monitoring Plan), they did not have adequate processes in place to ensure the Monitoring Plan provided effective oversight of their subrecipients. Specifically, we reviewed LAHSA's processes for developing and</p>	<p>Priority 1 - LAHSA management:</p> <p>Establish a standardized risk assessment process to use in developing annual contract monitoring plans.</p> <p>Actively track the status of all contract monitoring reviews and measure performance against their contract monitoring plans at year-end.</p> <p>Implement a notification process to ensure that the Contract Compliance Unit is notified of newly executed contracts.</p> <p>Ensure Service Providers are monitored for all key contract requirements (e.g., programmatic requirements).</p>

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

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<p>maintaining their Monitoring Plan and noted that LAHSA did not:</p> <ul style="list-style-type: none"> • Have an adequate risk assessment process. While LAHSA identified appropriate risk factors, such as a subrecipient's noncompliance history, LAHSA did not have a systematic and documented method to evaluate and determine a subrecipient's overall risk rating/score. Instead, LAHSA relied on internal/institutional knowledge to determine the overall risk for a subrecipient, which was then used to develop their Monitoring Plan. • Track the status of all their contract monitoring reviews and as a result, could not readily determine their progress in completing the planned reviews. LAHSA should actively track the status of all contract monitoring reviews and evaluate their performance against the monitoring plans at year-end to determine whether monitoring resources are adequate. • Have an adequate process for updating their Monitoring Plan with newly executed contracts. To identify new contracts, LAHSA's Contract Compliance Unit indicated they manually run accounting and contract reports monthly to identify activity (e.g., new subrecipient payments) that may suggest new contracts. However, the Contract Compliance Unit should instead be automatically notified when new contracts are executed to ensure proper and timely subrecipient oversight and monitoring. • Have a process to ensure all subrecipients are monitored programmatically. Specifically, 54 (51%) of their 105 planned reviews did not include procedures to monitor a subrecipient's program/service delivery compliance (e.g., adherence to participant eligibility requirements), and 	<p>LAHSA's Response: DISAGREE</p> <p>LAHSA respectfully requests that these issues and the associated recommendations be removed from the audit report.</p> <p>We disagree that LAHSA did not have an adequate risk assessment process. The Code of Federal Regulations, 2 CFR 200, requires a thorough risk assessment process, however it does not require an overall risk/rating score for assessing Service Providers. LAHSA's risk assessment process is thorough and includes risk ratings derived from three distinct assessments that measure:</p> <ol style="list-style-type: none"> 1. Organizational Risk 2. Financial Risk, and 3. Programmatic Risk <p>In addition to these three risk scores, and in accordance with 2 CFR 200, LAHSA also considers various factors such as Service Provider's past performance, financial stability, and compliance history.</p> <p>Nevertheless, as the recommendation would be beneficial, LAHSA has established a standardized risk assessment process which uses an overall risk/rating to use in developing annual contract monitoring plans.</p> <p>We disagree that LAHSA did not track the status of all contract monitoring reviews and could not readily determine progress in completing the planned reviews.</p> <p>LAHSA diligently tracks the status of all contract monitoring reviews. Some reviews remained in the same status because they were placed on hold to prioritize higher-risk monitoring reviews. The conclusion that LAHSA could not readily determine their progress in completing the planned reviews is not accurate. The lack of status changes does not equate with a lack of tracking. LAHSA continued to track all reviews and was aware that these reviews were placed on hold.</p> <p>We disagree that LAHSA did not have an adequate process for updating their Monitoring Plan with newly executed contracts. The Contract Compliance receives notifications of all newly approved contracts and runs monthly Contracts and Accounting Reports to identify new contracts and ensures, in accordance with 2 CFR 200, the monitoring plan is regularly updated to include new Service Providers. Whereas 2 CFR 200 does not require the monitoring plan</p>

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	<p>to be updated through automatic notifications, therefore we kindly request this finding be deleted from the report.</p> <p>While we disagree with our 2 CFR 200-compliant monitoring plan update process warrants a Priority 1 finding, we agree the recommendation would optimize efficiency and LAHSA will implement an automatic notification process to ensure that the Contract Compliance Unit is notified of newly executed contracts.</p> <p>All LAHSA's new Service Providers are monitored, and all Service Providers of federal funds are monitored in accordance with 2 CFR 200. LAHSA's lowest risk Service Providers are monitored remotely through reviews of a more limited scope. These reviews do not always require a programmatic review and all 54 of the planned reviews that did not include procedures to monitor a Service Provider's program/service delivery compliance were Service Providers with the lowest risk score.</p> <p>However, LAHSA has revised the Service Provider monitoring process for FY24-25, which requires programmatic reviews for all monitoring reviews, including reviews Service Provider with the lowest risk scores.</p> <p>Target Implementation Date: Implemented October 31, 2024.</p>
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<p>Impact: Possible gaps in contract monitoring and inadequate contractor/subrecipient oversight, which may result in the waste or misuse of public funds and/or critical services not being provided.</p>	
<p>10 Lack of Contract Monitoring Standards - An effective contract monitoring function should have standards for conducting and documenting the results of their contract monitoring reviews. We found that LAHSA's contract monitoring function does not always have or adhere to standards. Specifically, we selected a sample of 10 contract monitoring reviews LAHSA conducted in FY 2023-24 and noted that:</p> <ul style="list-style-type: none"> LAHSA did not maintain adequate workpapers to support the results and conclusions for all ten reviews. Specifically, while LAHSA generally maintained workpapers (e.g., client eligibility records, cost allocation plans, etc.) for their reviews, LAHSA was unable to provide any documentation for one review, indicating the records were lost, and could not readily demonstrate how the workpapers supported their conclusions for the remaining nine reviews. Workpapers for all ten reviews did not include evidence of supervisory review. Contract monitoring reviews should be properly supervised to ensure objectives are appropriately met and supported. <p>As a result, we could not determine whether LAHSA adequately monitored their contracts to ensure subrecipients complied with their contract terms. Given the critical nature of their contracted services, LAHSA must have a robust contract monitoring function to ensure critical services are adequately provided, that recipients exist and are eligible, and that contracted funds are used for their intended purposes.</p> <p>Impact: Increased risk that contract monitoring reviews are not properly conducted, potentially resulting in various issues going undetected, such as funds not used for their intended purposes, misuse and misappropriation of funds, services not provided and/or not provided in</p>	<p>Priority 1 - LAHSA management:</p> <p>Ensure adequate workpapers are maintained for all contract monitoring reviews and consider the use of audit workpaper software to ensure consistency and efficiency.</p> <p>Contract monitoring reviews are properly supervised, and evidence of supervision is documented.</p> <p>LAHSA's Response: AGREE</p> <p>LAHSA acknowledges that we were unable to provide documentation for one review. To compensate, we used HMIS data to support the conclusions of the contract monitoring review and conducted a live walkthrough of the HMIS system for the auditors to demonstrate the availability of relevant data.</p> <p>To prevent future data loss, LAHSA will require all coordinators to maintain backups of monitoring documentation on an encrypted USB drive. Additionally, we will ensure that all workpapers for contract monitoring reviews are properly maintained and are considering the use of audit workpaper software to enhance consistency and efficiency.</p> <p>While the workpapers and contract monitoring reviews were not signed by a supervisor, they were reviewed and approved via email. Moving forward, LAHSA will ensure proper supervision of all contract monitoring reviews, with documented evidence of supervision. We will implement signature and date lines on all workpapers and monitoring reviews, and update policies to require supervisors to formally review and approve documentation.</p> <p>Target Implementation Date: February 28, 2025.</p>

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

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accordance with contract terms and other noncompliance issues.	
<p>11 Delays with Reimbursement Claims - As mentioned above, LAHSA is primarily a pass-through governmental agency, and typically must wait for invoices from their subrecipients before submitting their own reimbursement claims to their funders. While these claims should be submitted timely to ensure adequate cash flow, we noted instances where claims were excessively late. Specifically, of the 13 LAHSA reimbursement claims we reviewed:</p> <ul style="list-style-type: none"> One claim to the County, totaling \$487,125, was submitted 214 days after the end of the billing month when LAHSA's County operating agreement requires they submit claims within 30 days. LAHSA indicated this was due to their subrecipients not submitting year-end invoices timely and delays with their own year-end reconciliation and close-out processes. One claim to HUD, totaling \$126,168, was submitted 144 days after the billing month, and while there was no submission deadline, the delay appeared excessive. LAHSA indicated the subrecipient could not submit their invoices in EGMS due to pending contract amendments. In addition, we contacted the subrecipient who cited additional issues, such as barriers with accessing EGMS and complexities with the system. <p>In addition, we reviewed a sample of 20 subrecipient monthly invoices to LAHSA from FY 2023-24 and noted that 12 (60%) were not submitted by the 15th of the following month, as required by their contracts. According to LAHSA, there were no barriers that prevented the subrecipients from submitting their invoices timely. We attempted to contact the subrecipients, and while only two responded, they confirmed that the late submissions were due to internal issues, such as inadequate oversight and staff turnover.</p>	<p>Priority 2 - LAHSA management:</p> <p>Monitor subrecipient to identify and address barriers in submitting their invoices to ensure they are submitted timely as required by their contracts.</p> <p>Ensure their own reimbursement claims to funders are submitted timely.</p> <p>LAHSA's Response: AGREE</p> <p>LAHSA acknowledges that two of the 13 reimbursement claims were delayed. However, 11 of the 13 claims were submitted on time, reflecting LAHSA's overall commitment to timely submissions. The delay with the County claim was due to the need for the County to amend the budget to release prior-year carryover funds. The HUD claim was delayed due to limitations in the EGMS system, which prevented Service Providers from submitting invoices; this issue has since been resolved.</p> <p>Additionally, 12 of 20 Service Provider invoices were not submitted by the 15th of the following month, as required by contract, primarily due to staffing shortages among providers.</p> <p>We agree with the recommendations and are committed to their implementation. Specifically, LAHSA will:</p> <ul style="list-style-type: none"> Streamline the year-end close process to ensure timely reimbursement claims and avoid internal delays. Continue to monitor Service Providers and address any barriers to timely invoice submission. Implement improvements to the EGMS system to reduce the need for amendments and minimize invoice delays. Work collaboratively with Service Providers and funding partners to address staffing shortages and explore innovative solutions to these challenges. <p>Target Implementation Date: February 28, 2025.</p>

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LAHSA should monitor their subrecipients and address barriers, where appropriate, to ensure invoices are submitted by the required deadlines since late submissions delay their own reimbursement claims, as evidenced by the findings detailed above.	

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12	<p>Did Not Complete Planned Audits - While LAHSA has an Internal Audit Unit to evaluate internal controls, compliance, and operational efficiencies, we noted that LAHSA did not complete any of the four planned audits in FY 2022-23 and carried over the audits to their FY 2023-24 Internal Audit Plan. In addition, LAHSA indicated they only initiated two (50%) of the four planned audits for FY 2023-24, both of which began in May 2024, and attributed the audit delays to emerging issues. While deviations from internal audit plans are not uncommon, LAHSA's lack of adherence to their plans for the past two FYs and overall lack of internal audit activity raises concerns about the adequacy and capability of their internal audit function.</p> <p>In addition, according to LAHSA's Internal Audit Charter, LAHSA adheres to the International Standards for the Professional Practice of Internal Auditing (Standards). However, LAHSA did not communicate the deviation from their planned work to senior management and their governing body for review and approval, as required by Section 2020 of the Standards. To maintain a robust internal audit function, LAHSA should ensure they have adequate resources to complete the work in their annual internal audit plans, and that any deviations are reviewed and approved as required.</p> <p>Impact: Increased risk of errors, fraud, noncompliance, and other operational weaknesses and inefficiencies going undetected.</p>	<p>Priority 2 - LAHSA management ensure:</p> <p>Internal audit resources are adequate to complete the audits in the annual audit plans.</p> <p>Deviations from annual audit plans are reviewed and approved by the appropriate parties.</p> <p>LAHSA's Response: PARTIALLY DISAGREE</p> <p>LAHSA respectfully requests that this issue Priority 2 be reduced to Priority 3.</p> <p>While LAHSA deviated from its Internal Audit Plan in FY22-23 and FY23-24, regular updates on the status and rationale for these deviations were provided to the Management Committee and leadership throughout both fiscal years. Specifically:</p> <ol style="list-style-type: none"> 1. On March 23, 2023, Internal Audit's senior leadership discussed the flexibility of the Internal Audit Plan, including the capacity to undertake ad-hoc audits. 2. On April 19, 2023, during the Audit and Risk Management (ARM) Committee meeting, Internal Audit leadership presented modifications to the Internal Audit Plan. This presentation, which was endorsed by the LAHSA Commissioners, highlighted the discretion to deviate from the plan based on the Phase 2 Risk Assessment Methodology. The full details of the meeting can be found in Exhibit 2. <p>Given these efforts and the progress made, including the revised Internal Audit Charter, LAHSA requests that Issue #12 be downgraded to a Priority 3 finding, which more accurately reflects the current status of the matter.</p> <p>As of August 2024, the Internal Audit Unit has achieved full staffing under its current authorized budget. Furthermore, the revised Internal Audit Charter (approved on October 25, 2024) grants the Management Committee greater responsibility for overseeing the Internal Audit function and ensuring adequate resources for future fiscal years.</p> <p>Additionally, the revised Charter stipulates that any future modifications to the Internal Audit Plan must be reported to and approved by the Management Committee prior to implementation. Please refer to Domain III: Governing the Internal Audit Function in the attached LAHSA Internal Audit Charter for further details on the Management Committee's role moving forward.</p>
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		<p>Target Implementation Date: Revised Internal Audit Charter and FY24-25 Risk Assessment Methodology and Internal Audit Plan were both approved on October 25, 2024 (IMPLEMENTED)</p>
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Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

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<p>13 Internal Audit Risk Assessment Not Completed Annually - An internal audit function's work must be based on documented risk assessments that are completed at least annually, which in turn, guide the development of annual internal audit plans. However, LAHSA's Internal Audit Unit did not complete a risk assessment to develop their FY 2023-24 Internal Audit Plan as required by Section 2010A.1 of the Standards. Instead, LAHSA carried over their FY 2022-23 planned internal audits to FY 2023-24, as mentioned in Issue No. 12. According to LAHSA management, this was due to capacity issues and the ongoing prevalence of the issues identified in their FY 2022-23 risk assessment.</p> <p>Impact: Emerging risks may go undetected/unevaluated, which may result in utilizing audit resources on less critical assignments.</p>	<p>Priority 2 - LAHSA management ensure risk assessments are completed annually to develop their internal audit plans.</p> <p>LAHSA's Response: PARTIALLY DISAGREE</p> <p>LAHSA respectfully requests that this issue Priority 2 be reduced to Priority 3.</p> <p>While LAHSA did not conduct a new formal Risk Assessment for FY23-24, the Internal Audit function exercised its discretion to assess the risk and audit landscape for that year. As a result, the decision was made to carry over the Risk Assessment methodology, results, and planned Internal Audits from FY22-23 and complete them in FY23-24. The risks and issues identified in the previous assessment were evaluated and determined to remain relevant and worthy of continued audit.</p> <p>Given these considerations and the ongoing efforts to strengthen Risk Assessment practices at LAHSA (outlined below), the organization respectfully requests that Issue #13 be reduced from Priority 2 to Priority 3.</p> <p>The internal audit function will continue to conduct Annual Risk Assessments each year. With the Internal Audit Unit now fully staffed, the capacity challenges noted in FY22-23 and the early part of FY23-24 are no longer a concern. To mitigate potential future capacity issues, Internal Audit will proactively raise such concerns with the Management Committee to assess whether additional resources should be allocated or if the Internal Audit Plan requires adjustment.</p> <p>Finally, as part of a procedural enhancement, Internal Audit will begin conducting Risk Assessments for the upcoming Fiscal Year at an earlier point—no later than Q2 of the current FY. This proactive approach will enable LAHSA to complete its Risk Assessment, Internal Audit Plan, and a greater portion of planned Internal Audits in a timelier manner going forward.</p> <p>Target Implementation Date: Revised Internal Audit Charter approved on October 25, 2024 (IMPLEMENTED);</p>

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14	<p>Internal Audit Independence - LAHSA's Director of Risk Management oversees their Internal Audit Unit, serving as their Chief Audit Executive (CAE), and also has oversight of LAHSA's Legal Operations, Investigations, Third Party Audits, Risk Management, and Quality Standards Units. According to Section 1112 of the Standards, where a CAE has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity. However, LAHSA did not provide formal action plans that outlined specific safeguards in place to address perceived or actual impairments to independence. In addition, Section 7.1 of the new 2024 Global Internal Audit Standards, which must be adopted in 2025, requires the roles and responsibilities that go beyond internal audit, and the established safeguards be documented in the Internal Audit Charter (Charter). However, LAHSA's Charter, which was last updated in 2018, did not document the CAE's other responsibilities and established safeguards. LAHSA management indicated they are in the process of updating their Charter to include all the required information.</p>	<p>Priority 3 - LAHSA management identify and document the CAE's roles and responsibilities that fall outside internal auditing, and the established safeguards to limit impairments to independence or objectivity in LAHSA's Internal Audit Charter.</p> <p>LAHSA's Response: PARTIALLY DISAGREE</p> <p>LAHSA respectfully requests that these issues and the associated recommendations be removed from the audit report.</p> <p>LAHSA took steps to improve the independence of the Internal Audit function in FY22-23 and FY23-24, first by vesting Internal Audit in the newly created Risk Department (it previously fell within the Finance Department), and later changing Risk Management's line of authority to report to the Chief Operating Officer (COO) instead of the Chief Financial and Administrative Officer (CFAO). The latter move further improved Internal Audit's independence and decreased the number of Departments subject to potential leadership influence or conflicts of interest (COIs) than was previously the case when Risk Management fell in the CFAO's portfolio.</p> <p>In addition, LAHSA advises that the 2024 IIA Standards (pgs. 116-119) identified multiple factors that were acknowledged to make full conformance with the IIA Standards more challenging for public sector entities like LAHSA.</p> <p>Given these considerations and the steps toward greater independence that LAHSA has already taken, LAHSA requests that Issue #14 be deleted from the Final Audit Report.</p> <p>Internal Audit also advises that the revised Internal Audit Charter makes several additional changes to further improve Internal Audit Independence; these changes include:</p> <ol style="list-style-type: none"> 1. Designating the <i>Director</i> position as the FTE that functionally fills the <i>Chief Audit Executive</i> (CAE) role at LAHSA, and additionally outlining the roles and responsibilities of the LAHSA CAE. 2. Revising LAHSA's Organizational Chart so the <i>Director</i>, in their capacity as the CAE, reports to the Chief Executive Officer (CEO) administratively but to the Management Committee itself from a functional standpoint; both moves grant the CAE greater independence from influence by other LAHSA leadership figures by placing it outside the direct authority of another leadership position. 3. Providing for both the CAE and other personnel
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	<p>involved in the execution of the Internal Audit function to sign Internal Audit Independence Statements; the CAE is expected to sign the first such statement (which the Management Committee will also sign) in October 2024, after which the remaining personnel will similarly sign their own Internal Audit Independence Statements.</p> <p>Further details on those provisions can be viewed in the attached LAHSA Internal Audit Charter, specifically in <i>Domain III: Governing the Internal Audit Function</i>, as well as the new attached Internal Audit Unit Organizational Chart.</p> <p>Target Implementation Date: Revised Internal Audit Charter Implemented on October 25, 2024 (IMPLEMENTED)</p>
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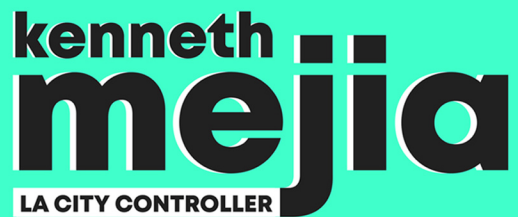
TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION	
ISSUE	RECOMMENDATION
<p>Impact: Actual or perceived impairments to independence, which can impact the Internal Audit Unit's ability to function in an unbiased manner.</p>	
<p>15 No Quality Assurance and Improvement Program - According to Section 1300 of the Standards, the CAE must develop and maintain a Quality Assurance and Improvement Program (QAIP) that covers all aspects of the internal audit activity. The QAIP must include both internal and external assessments, and the CAE must discuss the results of the assessments with senior management and the governing body. However, LAHSA did not have a QAIP in place at the time of our review. According to LAHSA management, they will establish a QAIP and anticipate completing the assessments in FY 2024-25. Impact: Increased risk of nonconformance with the Standards, which can negatively impact the quality of an internal audit function.</p>	<p>Priority 3 - LAHSA management: Establish a Quality Assurance and Improvement Program. Ensure internal and external assessments are completed as required by the Standards. Ensure results are communicated to senior management and their governing body. LAHSA's Response: PARTIALLY DISAGREE Internal Audit advises that, while LAHSA did not previously have a Quality Assurance and Improvement Program (QAIP) in place, efforts to revise the Internal Audit Charter were underway prior to the issuance of this finding. The IIA Standards (pp. 116-119) note that public sector entities like LAHSA face unique challenges, such as limited resources and a lack of an independent budget, which can impact the ability to fund and implement QAIP. Given these factors, Internal Audit also advises that, under its newly revised Internal Audit Charter, LAHSA remains fully compliant with the 2024 IIA Standards, including provisions for a QAIP and both internal and external assessments. While the revised Charter addresses compliance considerations outlined by the IIA, including resource constraints that may limit the full implementation of a QAIP and assessments, Internal Audit anticipates no difficulties in meeting the standards, provided funding is available. Target Implementation Date: The Revised Internal Audit Charter has been implemented as of October 25, 2024 (IMPLEMENTED); QAIP Establishment June 30, 2025</p>

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16	<p>Key Performance Indicators Not Established - Key performance indicators (KPIs) are metrics that are used to measure how well an organization is performing a given function. When evaluated regularly, KPIs can help identify areas for improvement, help make decisions and prioritize actions, and detect patterns and trends over time and reveal improvement opportunities. While LAHSA had not yet established KPIs for their Internal Audit Unit at the time of our review, LAHSA did establish a new policy in May 2024 governing the development and implementation of KPIs. The new policy applies to all functions, and LAHSA indicated they expect KPIs will be finalized in FY 2024-25.</p> <p>Impact: Not measuring performance diminishes the organization's ability to determine whether they are effectively meeting their objectives.</p>	<p>Priority 3 - LAHSA management ensure KPIs are finalized and implemented where applicable, and establish a mechanism for collecting, analyzing, and reporting KPIs to the appropriate parties.</p> <p>LAHSA's Response: PARTIALLY DISAGREE</p> <p>Internal Audit advises that the Internal Audit Unit KPIs were provided in draft form in May 2024 and were only awaiting finalization. While each department will have its own KPIs aligned with their core functions, a single, uniform mechanism for data collection, analysis, and reporting is unlikely to be suitable due to the varied data types, functions, and software used across departments. Therefore, KPI infrastructure will be aligned with LAHSA-wide policies, with application varying by department as appropriate.</p> <p>Internal Audit further advises that its new KPI and KRI Policy has been approved, and efforts to communicate this policy to other departments are ongoing. Established departments with well-defined processes will be the first to submit KPIs for their major functions, while newer departments will follow. Additionally, Internal Audit plans to expand its existing policy with a second policy to provide further guidance on the collection, analysis, and reporting of KPIs.</p> <p>In addition, Internal Audit advises that it further expands its existing Policy with a second Policy that establishes guidance for the collection, analysis, and reporting of KPIs.</p> <p>Target Implementation Date: June 30, 2025</p>
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For more information on our auditing process, including recommendation priority rankings and the resolution process, visit <http://auditor.lacounty.gov/contract-monitoring-audit-process-information/>.

Exhibit F



HOMELESSNESS AUDIT:

Pathways to Permanent Housing



**kenneth
mejia**
LA CITY CONTROLLER

TRANSPARENCY & ACCOUNTABILITY

December 10, 2024

Honorable Karen Bass, Mayor
Honorable Hydee Feldstein Soto, City Attorney
Honorable Members of the Los Angeles City Council

Re: Pathways to Permanent Housing

Until a person is permanently housed, that person's homelessness is not successfully ended. That is the guiding principle for the City and nation's homelessness strategy. Understanding this bedrock concept, our Office conducted this audit to identify opportunities for the City and the Los Angeles Homeless Services Authority (LAHSA) to improve the rehousing system and increase the likelihood that unhoused people are able to secure a stable, safe, and permanent place to live.

For this audit, we focused our analysis on City-funded interim housing programs that were operational between FY 2019 to FY 2023 which included crisis and bridge shelters, A Bridge Home (ABH), hotel and motel based programs, and tiny home villages. Auditors measured the performance of each interim housing program by using metrics such as permanent housing placement rates, utilization/retention rates, and returns to homelessness. Auditors then evaluated permanent housing destination types including Time Limited Subsidies, vouchers and other subsidies, unsubsidized permanent housing, and permanent supportive housing.

There are a woefully inadequate number of people moving from interim to permanent housing: **Less than 20% of people in interim housing secured permanent housing, and more than 50% of people exiting interim housing returned to homelessness or unknown destinations.** There are also major concerns about long term stability for people who have been placed in permanent housing. Furthermore, over the 5 year scope covered in this audit, **an average of 1 in 4 interim beds - which are the gateway to permanent housing - went unused costing taxpayers an estimated \$218 million.**

Achieving successful housing outcomes is exceedingly difficult because there is a chronic shortage of affordable housing in Los Angeles. Beyond inadequate supply, unhoused people frequently struggle with financial barriers, bureaucratic hurdles, and bias from landlords. Together, these obstacles contribute to long periods waiting to secure permanent housing. The delays and uncertainty compel many people to return to the streets, which places them at significant risk to their safety and wellbeing, and derails the hard work and resources that have gone into ending their homelessness.

It is essential to scale up permanent housing resources and maximize the efficiency with which LAHSA and its contracted service providers are successfully moving people through the rehousing system (i.e., throughput). It is also critical to understand which interim housing programs and services are achieving the best permanent housing outcomes in the most cost-effective manner while still taking into account the experience of unhoused individuals.

Key findings on Interim Housing:

- Lagging occupancy rates – Interim housing/shelter bed occupancy is significantly below LAHSA's target occupancy rate of 95%. During the five-year scope period (FY 2019 – FY 2023), unoccupied beds cost an estimated \$218 million. Each unfilled bed represents a missed opportunity to provide critical assistance to unsheltered people who desperately need help.
 - Citywide Interim Housing Occupancy:

FY19: 78%
FY20: 68%
FY21: 64%
FY22: 74%
FY23: 73%
- Severe data quality issues – The lack of reliable information makes meaningful evaluation of system performance difficult, impedes LAHSA's ability to hold underperforming service providers accountable, and prevents the City from making informed decisions about where to direct future spending.
- LAHSA's program management and monitoring are vastly inadequate – The agency does not have a formal process in place to regularly review the performance of providers, including occupancy/placement rates, and hold underperforming service providers accountable by requiring significant corrective action.
- City restrictions on shelter bed availability – Elected Offices request reservations for shelter beds based on geographic zones ("catchments") and prior to encampment cleanups or 41.18 enforcement operations. The lack of formal policies guiding these reservations contributes to shelter beds going unused and compromises service provider efforts to equitably and efficiently house people.

Key findings on Permanent Housing placements and destination types:

- Low permanent housing placement rates: Fewer than one in five people enrolled in City-funded shelters have been able to secure some sort of permanent housing. Between FY 2019 and FY 2023, City shelters served 93,741 people and only 15,818 people (17%) secured permanent housing. On average, approximately 3,200 people per year were placed into permanent housing during the scope period.
- Time Limited Subsidies were the most common pathway to secure permanent housing, while permanent supportive housing was the least common
- Stability in permanent housing may not be sustainable – Data shows that some people who secured permanent housing placements using Time Limited Subsidies returned to homelessness in a short amount of time. For FY 2021, the most recent period for which a complete 24-month Time Limited Subsidy lifecycle is available, 12% of people returned to homelessness over the life of the subsidy. Of those that returned to homelessness, just over half did so within one year of moving into a unit using a Time Limited Subsidy. The initiative does not

track data related to returns to homeless following the expiration of the subsidy, which may mean higher percentages of people returning to homelessness after subsidies expire.

- Factors for successful outcomes: Successful housing outcomes are less impacted by interim housing type, and more impacted by effective service delivery and other factors that help people become stable. Examples: consistent/communicative case management, housing navigation, access to mental health services, job training.

Key Recommendations:

- Service provider performance: LAHSA should revamp its contract and performance monitoring program to ensure the agency can promptly identify underperforming homeless service providers, and provide technical assistance or implement corrective actions when necessary.
- New bed solutions: Examine the feasibility of developing new, trauma-informed bed solutions for congregate settings that would provide more privacy and comfort to clients.
- Performance-based incentives: Develop performance-based compensation incentives for service providers tied to shelters' occupancy rates, permanent housing placement rates, and other relevant performance metrics.
- Increase Housing Navigators: To the greatest extent possible, increase the number of Housing Navigators so that more people staying in shelters have access to services that can connect them to permanent housing.
- Consolidate contracts: Clearly define the responsibilities of interim housing operators and Housing Navigation service providers, or assess the feasibility of consolidating interim housing and Housing Navigation services under single contracts to streamline case management responsibilities and make it easier for LAHSA to monitor performance and contract non-compliance.
- Revise metrics: Adopt permanent housing placement rate metrics that are not dependent on shelter occupancy rates in order to minimize instances where low occupancy at a shelter results in the appearance of improving permanent housing placement rates.
- Formalize reservation policy: Develop a formal policy for administering catchments and shelter bed reservations by City offices to ensure equitable access to shelter beds and maximize occupancy rates.
- Monitor outcomes: Monitor outcomes for people after their Time Limited Subsidies expire, and for people permanently housed with subsidies other than Time Limited Subsidies, and individuals that obtain housing without government assistance, such as an apartment without subsidies or moving in with a family member or friend.

As a City, we must do more to ensure that unhoused community members can move through the rehousing system, obtain permanent housing, and receive the support needed to stay there. Our office remains committed to researching and assessing system performance, and making recommendations for how we can more effectively bring our unhoused community members indoors for good. We hope this audit will be a vital tool for our City to understand the work that needs to be done on evaluating

programs and performance, and analyzing whether we are making the right decisions to get our unhoused population permanently housed.

Sincerely,

A handwritten signature in cursive script that reads "Kenneth Mejia".

Kenneth Mejia, CPA

City Controller



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EXECUTIVE SUMMARY

Vulnerable Angelenos continue to fall into homelessness due to high housing costs. The steady growth in homelessness and other contributing factors have pushed the City to expand the number and types of interim housing beds that are available. Interim housing typically provides basic accommodations, access to services, and relief from the dangers of living outdoors. Estimates from the annual homeless count (January 2024) indicate that the City has made progress on increasing the number of people in interim housing (+17.7%) and decreasing the number of unsheltered people (-10.4%) compared to the previous year. Over a longer period, data shows that the number of people living in interim housing has nearly doubled since 2016.

However, interim housing is inherently a temporary measure and an early step in the rehousing process. **Success is ultimately measured by securing permanent housing for people and ending their homelessness.** Nationwide policies established by the U.S. Department of Housing and Urban Development (HUD) and City-funded homelessness programs administered by the Los Angeles Homeless Services Authority (LAHSA) are built around this central goal. Permanent housing, as defined by HUD, includes a range of destinations with varying levels of support and stability (e.g., market rate apartments, permanent supportive housing, housing obtained using government vouchers, and long-term stays with family or friends).

Achieving successful housing outcomes is exceedingly difficult because there is a chronic shortage of affordable housing in Los Angeles. Beyond inadequate supply, unhoused people frequently struggle with financial barriers, bureaucratic hurdles, and bias from landlords. Together, these obstacles contribute to long periods where people wait to secure permanent housing. The delays and uncertainty compel many people to return to the streets, which places them at risk and derails the hard work and resources that have gone into ending their homelessness.

Given this scenario, **it is essential to scale up permanent housing resources and maximize the efficiency with which LAHSA and its contracted service providers are successfully moving people through the rehousing system (i.e., throughput). The faster the rehousing system can move a person from an interim shelter into permanent housing, the faster that shelter beds, supportive services, and permanent housing placement services will be available for new participants.**

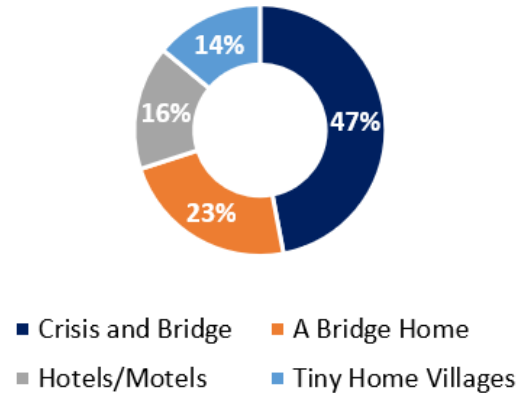
Beyond throughput, it is critical to understand which interim housing programs and services are achieving the best permanent housing outcomes in the most cost-effective manner

because the City is facing several years of budgetary uncertainty that threatens the sustainability of its homeless programs. **The City’s dire fiscal outlook—and tens of thousands of unhoused people who need help—require LAHSA and the City to effectively manage the rehousing system and ensure that taxpayer funds are carefully spent.**

We conducted this audit to identify opportunities for LAHSA and the City to **improve the rehousing system and increase the likelihood that unhoused people are able to secure a stable, safe, and permanent place to live.** Since supportive services at interim housing sites help people transition to permanent housing, we focused our analysis on City-funded interim housing programs that were operational between FY 2019 to FY 2023.¹ By the end of this five-year period, the City had an inventory of approximately 7,000 shelter beds spread across different settings that offer varying levels of privacy and comfort.

- **Crisis and Bridge** shelters are traditional congregate (i.e., shared) settings and functioned as the primary shelter option in Los Angeles until 2018.
- **A Bridge Home** shelters are congregate shelter sites built by the City, primarily using portable and prefabricated structures that offer an additional level of privacy through a cubicle-like configuration.
- **Hotel and Motel-based** programs such as Project Homekey and Inside Safe consist of leased hotels/motels that provide single occupancy units to residents.
- **Tiny Home Villages** were developed by the City using small, prefabricated dwellings that can serve as a single or double occupancy shelter unit.

City-funded Interim Housing Bed Inventory



We measured the performance of each interim housing program by using metrics such as permanent housing placement rates, utilization/retention rates, and returns to homelessness. Specifically, we sought to:

- estimate the cost to operate the City’s various interim housing shelter types;

¹ We focused on this subset of beds due to the growing share of direct City funding and because they generally have a low barrier to entry and are not restricted to special populations such as veterans or individuals with acute mental health needs. City-funded beds represent approximately 53% of the total number of shelter beds available in the City of Los Angeles.

- assess whether the City and LAHSA are maximizing the use of shelter beds and ensuring high rates of occupancy across the City's interim housing inventory;
- determine whether certain shelter types are more efficient than others in moving people into permanent housing solutions; and
- evaluate the effectiveness of LAHSA's efforts to monitor and manage the performance of the rehousing system.

The City is at an important juncture with its rehousing system. There will likely be less resources available over the next several years and the City is in the process of increasing the rates paid to interim housing service providers. **Given these conditions, we strongly encourage LAHSA and City officials to implement the recommendations in this report, particularly those related to improving permanent housing placement rates, strengthening oversight of service providers, and resolving longstanding data quality issues.**

What We Found

Overall, we found that while the City has embarked on initiatives to expand the supply of interim shelter beds, much more work needs to be done to build on those investments and improve permanent housing outcomes. **A large number of City-funded interim housing beds went unused during the five-year scope period. For beds that were occupied, less than 20% of people were successfully housed and more than half returned to homelessness/unknown destinations. In addition, there are concerns about long-term stability for many people who were placed into permanent housing.** LAHSA and the City need to make significant improvements to its programs in order to maximize occupancy rates, improve accountability and the performance of service providers, and help unhoused Angelenos successfully transition into permanent housing as quickly as possible.

Findings aside, there are critical data quality issues, some of which are tied to the pandemic, that made seemingly straightforward questions (e.g., shelter capacity) difficult to answer. LAHSA officials acknowledged that these data quality issues have caused interim housing occupancy rates to appear overstated in some cases, and understated in others. **The lack of reliable information makes meaningful evaluation of system performance difficult, impedes LAHSA's ability to hold underperforming service providers accountable, and prevents the City from making informed decisions about where to direct future spending.**

Interim Housing Occupancy Rates Have Been Significantly Below LAHSA's Target Level

We found that shelter bed occupancy rates have lagged in recent years and were significantly below LAHSA's target occupancy rate of 95%.² LAHSA's ineffective oversight of service providers, policies that create interim housing placement restrictions, the COVID-19 pandemic, and changes in the makeup of the City's interim housing inventory have likely contributed to lower occupancy rates at City-funded shelters. For purposes of this audit, we used LAHSA data and acknowledged its limitations throughout the report.

	FY2019	FY2020	FY2021	FY2022	FY2023
Citywide Occupancy	78%	68%	64%	74%	73%

Interim housing programs that are fully or partially funded by the City cost an estimated \$900 million to operate during the five-year scope period, and a growing share of City funds are being used to fund operations.³ Each unfilled bed represents a missed opportunity to provide critical assistance to unsheltered people who desperately need help. Third-party service providers who operate City-funded interim housing facilities are paid on a cost reimbursement basis, which is based on the estimated operating costs of a site and providing an agreed upon level of services. **Reimbursements are issued for eligible expenses, regardless of whether the available beds are occupied. As a result, tens of millions of dollars in City funds are being spent on unused shelter beds every year.**

Our analysis also provided the following insights.

- Non-congregate shelters offering private living settings (i.e., hotel and motel-based shelters and Tiny Home Villages) generally had higher occupancy rates compared to higher-density congregate shelters (i.e., Crisis and Bridge shelters and A Bridge Home facilities). **Between FY 2019 and FY 2023, the total occupancy rate across all non-congregate shelters was 86%, compared to 65% for congregate shelters.**
- Operating costs for non-congregate facilities, which provide residents with more space and can provide residents with a greater sense of safety as they recover from their time being unsheltered, are approximately \$57,000 per bed annually.

² For purposes of measuring occupancy, a participant is considered enrolled if they have been accepted into the applicable interim housing program. Because this measure is based on enrollment data, which reflects the number of beds reserved for admitted participants out of total capacity, occupancy rates tend to overrepresent actual shelter bed use because enrolled individuals are not required to stay at the shelter site every night.

³ The City funded approximately 52% of the operating costs identified.

Congregate facilities, which offer less space and privacy, cost approximately \$29,000 per bed annually. **It is important to acknowledge that there are several people-centered qualitative factors, such as privacy and comfort, that are difficult to capture in any cost analysis.** But understanding the estimated cost of each type of intervention can help inform future funding decisions and prioritize development of strategies to boost efficiency.

- A Bridge Home, Tiny Homes, and Project Roomkey/Homekey are subject to geographic zones called “catchments,” which closely align with City Council District boundaries. Outreach workers can typically only place unhoused clients in shelters that are located within the same catchment where they reside. Elected offices also have the ability to reserve space in these shelters for an unspecified period of time, which can prevent the placement of someone who is ready to move in immediately. **The City lacks formal referral and placement policies for this process, which may contribute to shelter beds going unused and compromise service provider efforts to equitably and efficiently house people.**
- LAHSA’s efforts to monitor and manage the performance of interim housing service providers are vastly inadequate. **The agency does not have a formal process in place to regularly review the performance of providers, including occupancy/placement rates, and hold underperforming service providers accountable by requiring significant corrective action.** Insufficient monitoring has also resulted in occupancy data quality problems, which makes evaluating the transition rates from interim to permanent housing difficult.

Lagging occupancy rates and weak service provider oversight result in shelter beds going unfilled. Any bed that goes unfilled means an unsheltered person living on the streets is waiting longer to move into a safer space and begin the transition to securing permanent housing.

Permanent Housing Placements Have Not Kept Up with Growing Demand

The movement of people from interim housing shelters into permanent living situations is central to the success of the City’s rehousing system. Securing permanent housing can include a person renting an apartment on their own, staying with a family member or friend, using a government voucher or time limited subsidy (TLS) to obtain an apartment (i.e., a subsidy that expires after two years), or moving into permanent supportive housing. The faster a person can move into permanent housing, the faster a shelter bed can open up allowing the next unsheltered person to take their first steps toward stability. **However, we**

found that service providers responsible for helping people secure permanent housing have struggled to provide services to the growing number of people staying in interim housing.

- **The majority of people staying in interim housing were not successfully permanently housed and returned to homelessness or other unknown destinations during the five-year scope period.** Shelter facility types varied with regard to how often people departed from shelters and returned to homelessness. For example, 76% of people staying in Tiny Home Villages returned to homelessness or left for unknown destinations. Crisis and Bridge shelters (57%) and hotel and motel-based programs (60%) generally saw lower exit rates to homelessness and unknown destinations.
- **Fewer than one in five people enrolled in City-funded shelters have been able to secure some sort of permanent housing.** Between FY 2019 and FY 2023, City shelters served 93,741 people and only 15,818 people (17%) secured permanent housing.⁴ On average, approximately 3,200 people per year were placed into permanent housing during the scope period.
- The most common pathway to permanent housing was Time Limited Subsidies and the least common was permanent supportive housing.

Permanent Housing Destination	% of Total
Time Limited Subsidy	39%
Vouchers (e.g., Section 8) and Other Housing Subsidies	25%
Unsubsidized Permanent Housing	23%
Permanent Supportive Housing	13%

Each housing destination offers different levels of stability and support and people may remain at risk of falling into homelessness. For example, we found that approximately 3,600 people exited to unsubsidized permanent housing. LAHSA data indicates that the majority of people in this group (55%) secured market rate housing without any financial subsidies or rental vouchers. **These individuals may not be able to sustain their housing independence without financial support.** In addition, almost half of the exits to unsubsidized permanent housing consisted of people making plans to stay with family and friends for an extended period, which may not provide long-term stability.

⁴ Based on the count of unique participants served each year.

- LAHSA began tracking outcomes for the Time Limited Subsidies program through its Key Performance Indicator initiative. **Data shows that some people who secured permanent housing placements using Time Limited Subsidies returned to homelessness in a short amount of time. For FY 2021 (the most recent period for which a complete 24-month Time Limited Subsidy lifecycle is available) 12% of people returned to homelessness over the life of the subsidy. Of those that returned to homelessness, just over half did so within one year of moving into a unit using a Time Limited Subsidy.** The initiative does not track data related to returns to homelessness following the expiration of the subsidy. More long-term data is needed for other permanent housing destination types.
- For people who secured permanent housing placements between FY 2019 and FY 2023, people tended to secure unsubsidized permanent housing faster (two to five months) than permanent supportive housing or housing using government vouchers (six to eight months).
- It is unclear whether there is a strong causal relationship between interim housing type and permanent housing placements. **Effective service delivery and other factors may have a larger impact on successful housing outcomes.** In addition, a direct comparison between programs was limited by several conditions, including the COVID-19 pandemic and data quality concerns. Our analysis showed that permanent housing placement rates were mixed for the various types of interim housing in the City's shelter portfolio. Between FY 2019 and FY 2023, the permanent housing placement rate per shelter bed maintained for Crisis and Bridge shelters ranged from 0.6 to 1.4. Tiny Home Villages saw the lowest overall placement rate, with a placement rate that did not exceed 0.2.⁵
- The specialists who assist people as they secure housing benefits, search for permanent housing options, and find permanent housing, are known as Housing Navigators, and their services are essential for transitioning people from shelter environments to permanent living settings. Contract service providers carry out housing navigation services. **However, the rehousing system does not have a sufficient number of Housing Navigators. According to LAHSA, it only has the**

⁵ The placement rate is based on the number of permanent housing placements per shelter bed maintained. A 1-to-1 ratio (expressed as 1.0) indicates that each shelter bed resulted in one permanent housing placement annually. A higher ratio indicates a greater number of permanent housing placements per interim housing bed.

capacity to enroll 30% of people staying in shelters into Housing Navigation services due to funding constraints.

- Ensuring the system for transitioning people from shelters into permanent housing is operating efficiently is **difficult because responsibilities related to permanent housing placement are spread across different service providers.** LAHSA has set a permanent housing placement rate goal of 20% for shelter operators, but placement of people into permanent housing is a shared responsibility of service providers that operate shelters, and service providers that deliver housing navigation services.

What We Recommend

LAHSA and the City must take steps to ensure the rehousing system serves as many people as possible. Those steps include making improvements to how LAHSA manages the performance of the rehousing system, and how individuals are connected to interim housing beds and permanent housing solutions. Specifically, LAHSA, in coordination with the City, should:

- Examine the factors that are contributing to the different permanent housing placement rates for congregate and non-congregate shelters. Once those factors are identified, work to implement improvements in non-congregate shelter settings that will accelerate the permanent housing placement process.
- So long as non-congregate shelter beds remain scant, establish a new, needs-based criteria for non-congregate shelter bed placement to ensure those spaces are available to individuals that would benefit most from private living quarters.
- Establish formal policies for the administration of catchments and bed reservations by City offices to ensure mechanisms are in place to limit the risk of beds going unfilled.
- Establish new data quality control standards and monitoring procedures that ensure service providers accurately report bed capacity information. Procedures should include regular monitoring to the accuracy of bed capacity information to ensure occupancy rates are as accurate as possible when measuring system performance.
- **Revamp its contract and performance monitoring program to ensure the agency can promptly identify underperforming homeless service providers, and provide technical assistance or implement corrective actions when necessary.**
- **Develop performance-based compensation incentives for service providers tied to shelter occupancy rates, permanent housing placement rates, and other relevant performance metrics.**

- **To the greatest extent possible, increase the number of Housing Navigators so that more people staying in shelters have access to services that can connect them to permanent housing.**
- Clearly define the responsibilities of interim housing operators and Housing Navigation service providers, or assess the feasibility of consolidating interim housing and Housing Navigation services under single contracts to streamline case management responsibilities and make it easier for LAHSA to monitor performance and contract noncompliance.
- Adopt permanent housing placement rate metrics that are not dependent on shelter occupancy rates in order to minimize instances where low occupancy at a shelter results in the appearance of improving permanent housing placement rates.

It is critical that LAHSA and the City help those living on the street move into permanent housing solutions as quickly as possible, and move away from a system which relies heavily on interim shelter facilities and services that often result in people returning to homelessness. By implementing the recommendations proposed in this report, we can ensure accountability and efficiency while the City continues to reimagine the Los Angeles rehousing system and deliver vital services to those most in need.

BACKGROUND

The combination of low wages and high housing costs continues to push vulnerable Angelenos into homelessness. In response, the City of Los Angeles (City) has expanded its shelter bed capacity and the number of people in interim housing has nearly doubled since 2016. Interim housing typically functions as a temporary measure that is intended to provide relief from the dangers of living in tents, vehicles, and other makeshift dwellings. **But a person's homelessness is not successfully ended until they are permanently housed.** This concept remains the guiding principle of the City's comprehensive homeless strategy and nationwide policies established by the U.S. Department of Housing and Urban Development (HUD).⁶ The Los Angeles Homeless Services Authority (LAHSA) has a central role in designing and administering homelessness programs that are aligned with City priorities and federal guidelines.

Although permanent housing placements are the focus of the rehousing system, there is a chronic shortage of affordable housing in Los Angeles. This reality—a growing number of people living in interim housing combined with insufficient permanent housing destinations—leads to significant risks. Lengthy stays in interim housing may cause people to return to the streets, thereby restarting the cycle of homelessness. As a result, it is essential to maximize the efficiency with which LAHSA and its contracted service providers are successfully moving people through the rehousing system (i.e., throughput). The faster the rehousing system can move a person from an interim shelter into permanent housing and ensure that they are able to stay there the faster that shelter beds, supportive services, and permanent housing placement services will be available for new participants.

LAHSA has made operational changes in an attempt to streamline the rehousing process and increase the speed at which people can secure permanent housing. But identifying and placing people into permanent housing remains challenging. The rehousing system primarily relies on private markets and landlords for the supply of permanent housing. According to LAHSA, one of the most serious challenges facing unhoused residents and case managers is the bias that unhoused members of the community often face. Bias sometimes causes landlords and management companies to avoid renting to people experiencing homelessness, and those seeking to rent properties with the assistance of government

⁶ Unless specified otherwise, the term "permanent housing" refers to HUD-defined housing destinations (i.e., market rate apartments, permanent supportive housing, housing obtained using government vouchers, and long-term stays with family or friends).

vouchers. **Case managers and participants are often subject to private landlords' screening criteria, including credit checks and rental histories, which can disqualify individuals experiencing homelessness.**

Moreover, systemic barriers—some of which are beyond the control of LAHSA, the City, and service providers—make the rehousing of unhoused people difficult regardless of investments that have been made in the interim and permanent housing systems.

- **Financial Barriers** – Even when housing options are available, including affordable housing with monthly rents below market rates, many individuals face financial barriers that make it difficult to apply for and secure a unit. Those financial barriers include a lack of documented income, poor or no credit, bad rental history, and the inability to afford security deposits, rent, and utilities.
- **Bureaucratic Hurdles** – State law prohibits discrimination by landlords against applicants or tenants using Section 8 vouchers and other subsidies, but enforcement remains difficult. In addition to being left vulnerable due to these ineffective legal protections, unhoused individuals often face overwhelming bureaucratic hurdles and waiting lists when working to secure assistance and apply for housing. The nature of these processes and the difficulties inherent to them can be overwhelming to most individuals, but particularly to those who lack access to case management and support services like many unhoused individuals do. An additional hurdle unhoused individuals face is that landlords often prioritize renting units to tenants who are not reliant on vouchers due to the wait time inconveniences that housing vouchers create for landlords. Wait times before landlords receive payments from the agency issuing a voucher can sometimes be months.
- **Service Provider Staffing** – Many service providers report ongoing challenges related to hiring and retaining the very employees that are tasked with helping people transition into permanent housing. Some service providers report that they simply lack sufficient staffing to effectively deliver support services, which is negatively impacting their ability to help clients. Causes of the staffing shortages include low pay for service provider staff, burnout due to the workload placed upon case management staff, and overarching market factors that have resulted in fewer qualified candidates applying for vacancies.

Both LAHSA and the City are working to mitigate the impact of these obstacles. **This report explores opportunities for LAHSA and the City to make strategic and program management improvements to the rehousing system** that will not only improve performance management and accountability, but enhance the experience of unhoused

clients as they move through the rehousing system, and increase the likelihood they are able to secure a stable, safe, and permanent place to live.

The City's ability to achieve successful permanent housing outcomes is inherently tied to the effectiveness of its interim housing programs. Beyond providing shelter and meeting individuals' basic needs, supportive services at interim housing sites are intended to provide stability and help people transition into permanent housing. **As a result, this report primarily focuses on the performance of the City's interim housing system.** Specifically, we evaluated the performance of City-funded interim housing programs that were operational between fiscal year (FY) 2019 to FY 2023. We measured the performance of each interim housing program by using metrics such as permanent housing placement rates, utilization/retention rates, and returns to homelessness. We also sought to identify barriers that LAHSA and service providers encounter when working to transition people into permanent housing and explored potential improvements.

The need to better understand which interim housing efforts are producing the best permanent housing outcomes—and at what cost—is especially important because the City is struggling to address its structural deficit and there are growing concerns about the fiscal sustainability of the City's homelessness programs. **It is essential that the City and LAHSA take steps to ensure that taxpayer funds are carefully spent—tens of thousands of people remain on the streets and are in dire need of help.**

The following subsections of this report further outline the interim housing programs launched by the City during the last several years and provide additional context about LAHSA's efforts. We encourage the public and City policymakers to use the objective analysis in this report to improve the rehousing system in Los Angeles.

City-funded Interim Housing Facilities

The City's interim housing sites provide people with temporary housing intended to address their unsheltered homelessness and support them as they seek to attain permanent housing. While service levels may vary across shelter facilities, each site is responsible for providing a bed, regular meals, showers, and case management services. According to LAHSA, at minimum, case management includes an assessment of an individual's housing and service needs, establishment of a housing and service plan, and attempts to connect clients to available resources and assistance programs. Interim housing facilities also facilitate access to medical, mental health, and addiction treatment.

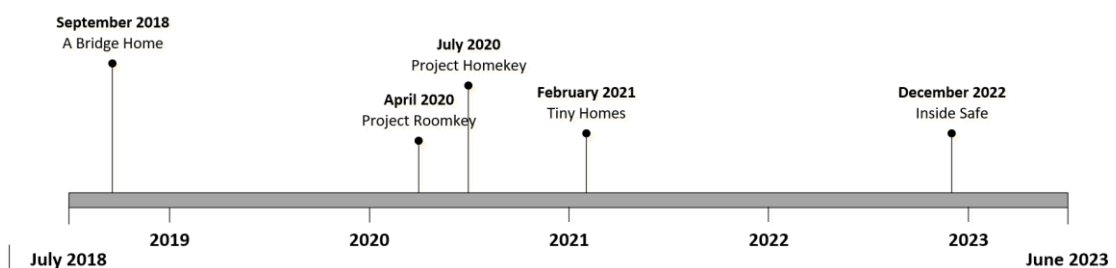
Historically, the City has relied on partnerships with the County of Los Angeles (County), LAHSA, and nonprofit organizations to develop and provide interim housing. But growing

concerns about the health and safety of unsheltered residents, combined with the proliferation of encampments in the public right-of-way, have led to the City taking a more hands-on role and directly funding the development of new shelter beds. An ongoing federal lawsuit and the COVID-19 pandemic further accelerated the City's efforts.⁷

Figure 1: City-funded Interim Housing Program Timeline⁸

The City launched new interim housing programs after the onset of the COVID-19 pandemic.

Source: Office of the Controller



The introduction of new interim housing programs has led to a significant increase in the number of shelter beds. In total, the City added almost 5,000 shelter beds between FY 2019 and FY 2023. The total number of City-funded beds made up approximately 53% of the overall inventory of interim housing beds in the City of Los Angeles (as reported in the 2023 Point-in-Time shelter count).⁹ The City-funded beds are also notable in that they have a low-barrier to entry and are not restricted to special populations such as veterans or individuals with acute mental health needs. The table below shows the total number of beds in the City's shelter inventory from FY 2019 through FY 2023, and the number of beds for each program category.

⁷ The LA Alliance for Human Rights, a group of business owners, residents, and other stakeholders filed a case against the City and County alleging an inadequate response to homelessness and violations of state and federal law. In a settlement agreement, the City agreed to create sufficient shelter and housing to accommodate 60% of unsheltered people experiencing homelessness within the City based on the 2022 Point-In-Time for those who can be reasonably assisted by the City. The City pledged to pursue an approach of equitably distributing housing and shelter facilities for unhoused individuals throughout the City. The City also agreed to not enforce action against any individual unless that individual has first been offered an opportunity for shelter or to relocate.

⁸ This report does not include assessments of City programs that allow people to camp and park in designated areas with access to limited services. These programs are referred to as "safe camping" and "safe parking."

⁹ City funding for shelters primarily supports the adult unhoused population, but the City also funds some beds dedicated to youth and family populations.

Table 1: City-funded Interim Housing Beds by Program

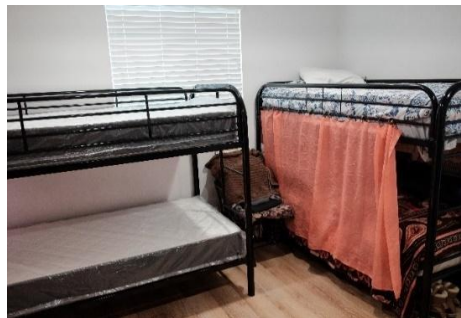
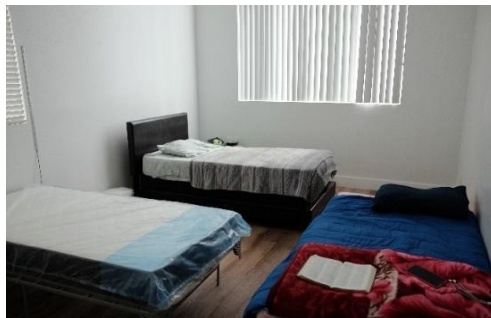
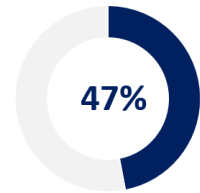
Program	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Crisis + Bridge Housing	2,026	2,655	2,664	2,759	3,258
A Bridge Home	137	454	1,205	1,250	1,569
Hotel and Motel-based Programs	-	331	1,978	1,677	1,097
Tiny Home Villages	-	-	41	596	1,004
Total	2,163	3,441	5,889	6,283	6,929

Source: Controller analysis of data generated by LAHSA

Each facility varies with regard to configuration, density, and comfort for residents. In addition, there are different intake mechanisms for some sites. The section below provides an overview of each interim housing type and its percentage share of the City-funded shelter bed inventory as of FY 2023.

Crisis and Bridge Housing

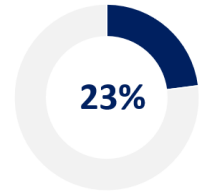
Crisis and Bridge shelters functioned as the primary shelter option in Los Angeles until 2018. Crisis and Bridge sites are traditional congregate shelter facilities (i.e., shared or communal living spaces), and account for more beds than any other interim housing type. Crisis and Bridge housing facilities are generally easier to access by participants as they can accept people without going through LAHSA's centralized referral process. Although these sites are low-barrier, providers may still implement policies that require referrals from local providers, and may utilize waitlists when sites are at capacity.



A Bridge Home

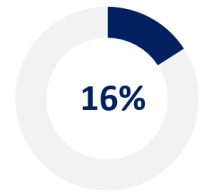
A Bridge Home sites were developed and constructed by the City typically using modular building designs. A feature that distinguishes these sites from Crisis and Bridge housing is

that they offer an additional level of privacy, in that the living spaces feature a cubicle-like configuration to allow for a semi-enclosed space.



Hotel and Motel-based Programs

During the COVID-19 pandemic, the City began leasing underutilized hotels and motels, and temporarily repurposed those properties to serve as housing for people experiencing homelessness. Hotels and motels have become a significant portion of the City's interim housing inventory.

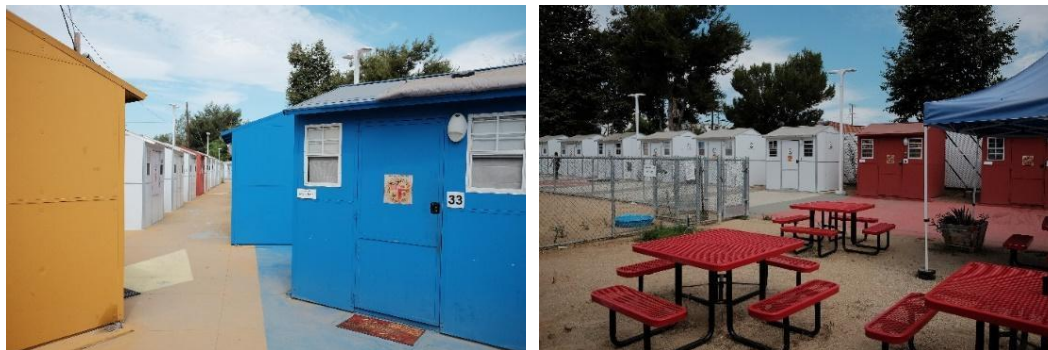
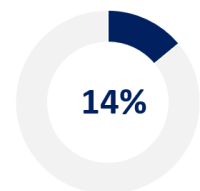


- Project Roomkey** – The City used Federal Emergency Management Agency (FEMA) disaster assistance funds to secure hotel rooms for emergency, non-congregate shelter use. The program was initially designed to prioritize individuals most at risk of experiencing negative health impacts from contracting the virus, including people 65 years or older and those suffering from chronic illness. Project Roomkey units were also used to help those who had contracted COVID-19 to isolate in a safe space. The program transitioned to include the prioritization of people impacted by encampment cleanups after the City and the County of Los Angeles agreed in 2020 to relocate unhoused people residing within 500-feet of freeway overpasses and underpasses. One high-profile example of an encampment cleanup where Project Roomkey was used to shelter individuals was the 2021 cleanup operation at Echo Park Lake. Project Roomkey ended in 2023 following the expiration of funding from FEMA.

- **Project Homekey** – Building on the efforts of Project Roomkey, Project Homekey was designed to provide funding for the acquisition of hotels, motels, apartments, and other buildings for eventual conversion into long-term and permanent housing units. The City is in the process of converting most Homekey facilities currently being used as interim housing into permanent housing.
- **Inside Safe** – Inside Safe is a shelter program funded primarily by the City’s general fund. Inside Safe’s goal is to focus on resolving the City’s largest encampments, and eliminating or limiting the number and size of encampments across the City. The Office of the Mayor, which administers the program, selects the encampments that will be targeted for resolution and oversees referrals into the program.

Tiny Home Villages

The City’s Tiny Home Villages are temporary housing communities constructed with small, prefabricated shelters. Tiny homes provide temporary housing in individual, 64-square foot cabin units designed to house up to two individuals at time. Dwellings typically feature a lock on the door, shelves for storage of personal possessions, outlets for charging phones and other devices, a heater, and an air conditioner. Tiny Home Villages also offer community spaces and communal bathrooms for residents.



Stricter time- and place-based restrictions may result in a growing number of people seeking placements into interim housing. Ongoing changes to Los Angeles Municipal Code Section 41.18 and Section 56.11 regulate the storage of personal property in the City’s public right-of-way, and prohibit individuals from sitting, lying, sleeping, or storing personal property on streets and sidewalks near “sensitive use” properties, such as schools and daycare centers. As of May 2024, there were 2,443 designated Special Enforcement Zones within Los Angeles. In addition, the City enacted overnight parking restrictions on residential vehicles (RVs) in many neighborhoods and is developing a policy to implement citywide restrictions.

Estimated Operating Costs of City-funded Interim Housing Facilities

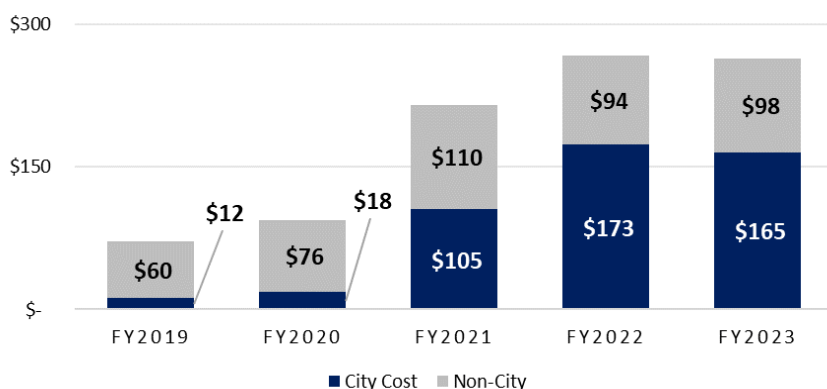
All City-funded interim housing sites are operated by contracted third-party service providers who are paid on a cost reimbursement basis. The reimbursement is based on the estimated operating costs of the interim housing site. **Reimbursements are issued for eligible expenses, regardless of whether the available beds are occupied by clients.** The service provider costs shown in Figure 2 represent the total cost of operating the sites for the four program categories outlined in the previous section. Hotel and motel-based programs generally require additional operating expenses because the City pays a nightly room rate to hotel/motel owners.

In order to estimate operating costs, we reviewed operating expenditures for all interim housing facilities funded by the City. This assessment primarily included costs associated with contractual expenditures paid by LAHSA to service providers for interim housing operations, leases for hotels and motels, payments related to property damage at facilities, and other miscellaneous incidental expenses.¹⁰ **This analysis focused on measuring ongoing variable costs and sought to provide insights into the differences in shelter operating costs based on facility type, capacity, and delivery of services. However, these cost estimates do not include startup expenditures associated with site acquisition, site construction, or improvements to leased facilities (i.e., capital expenditures).**

Figure 2: Estimated Total Operating Cost and Funding Source for City-funded Interim Housing (in Millions)

City-funded interim housing programs cost almost \$900 million during the five-year scope period and a growing share of City funds are being used for these sites.

Source: Controller analysis of data obtained from LAHSA, and the City's Financial Management System (FMS)



¹⁰ Facility lease costs were obtained from the City's Financial Management System. Service provider costs were obtained from LAHSA.

Given the significant costs associated with City-funded interim housing facilities and the tens of thousands of unsheltered Angelenos, it is critical that the City and its partners maximize the impact of those investments. Beyond getting people into interim housing and quickly moving them into permanent housing, the City's dire fiscal condition requires a prioritization of services and programs that achieve the best housing outcomes in the most cost-effective way.

Cost Comparisons of City-funded Interim Housing Programs

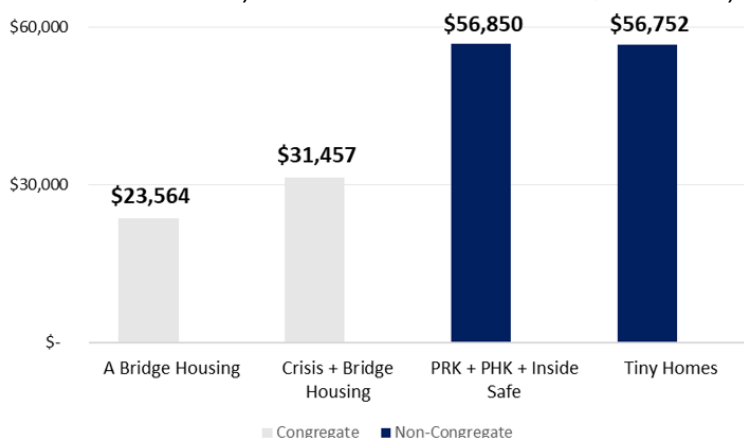
One of the objectives of this project was to provide the public and stakeholders with a comparison of City-funded interim housing programs in terms of **permanent housing placements, participant retention, and costs**. However, data limitations and operational circumstances limited our ability to provide a complete picture of each program's true performance. This section details our observations based on information that we reviewed.

It is important to acknowledge that there are several people-centered qualitative factors, such as privacy and comfort, that are difficult to measure in any cost analysis. But understanding the estimated cost of each type of intervention can help inform future funding decisions and prioritize development of strategies to boost efficiency. **Overall, we found that there is a significant difference in the per bed operating cost between congregate and non-congregate interim housing options.**¹¹

Figure 3: Estimated Annual Operating Cost for Each Shelter Bed in the City's Interim Housing Programs (FY 2019 to FY 2023)

Non-congregate interim housing options, which represent a growing share of the City-funded interim housing inventory, are significantly more expensive to operate than congregate options.

Source: Controller analysis of data obtained from LAHSA, and the City's Financial Management System (FMS)



¹¹ Shelter bed capacity data quality issues can result in differences in the estimated cost of shelter beds. For example, instances of overstated bed capacity result in understatement of estimated costs on a per-bed basis.

Comparing the operating costs of interim housing programs is difficult in large part due to differences in lease costs, facility ownership costs, and differences in the level of services provided to unhoused clients. This is especially true for hotel and motel-based programs. For example, Project Roomkey sites provided fewer services to unhoused people.¹² With Project Homekey, public agencies acquired hotels and motels and then transferred the facilities to LAHSA to administer, meaning there was no ongoing leasing or nightly lodging rate costs. Inside Safe incurred costs associated with both leasing *and* support services. The City launched Inside Safe near the end of this evaluation's five-year scope period. As a result, the above cost estimate understates the costs to both lease and operate hotel and motel-based interim housing sites.

Furthermore, our cost estimate does not include the cost to purchase or upgrade (i.e., site preparation and construction) interim housing properties, and it is important to note that these start-up costs can be considerable. For example, in 2023, the City approved the purchase of the 294-room Mayfair Hotel for \$83 million (\$282,000 per room), which included both the purchase price and necessary renovations and upgrades. With an expected useful life of 40 years, the annual cost of each room is approximately \$7,000.

Even when using its own property for the development of an interim housing facility, the City must make significant investments. For example, developing vacant lots for Tiny Home sites typically requires extensive site preparation, including obtaining permits, leveling land, trenching, connecting utilities, construction of communal service structures (e.g., restrooms and social spaces), and installation of prefabricated shelter units.

Leasing hotels or motels typically entails a lower initial fixed cost compared to purchasing sites or repurposing City-owned properties. However, leasing can incur higher variable costs over time due to the need for ongoing lease payments. Between FY 2020 and FY 2023, the City paid a total of \$138 million in lease costs, which amounts to approximately \$27,000 in annual leasing expenses per bed.

While our analysis provides general cost estimates, it was bound by LAHSA's bed capacity data limitations, which was the foundation for how the number of beds was calculated. Our Office previously outlined LAHSA's shelter bed data quality problems in a December 2023 audit ([Homelessness Audit: Interim Housing and Shelter Bed Data](#)). We recommended that

¹² LAHSA indicated that services related to Project Roomkey operation such as security, food, and nursing, were contracted with vendors directly by LAHSA and were not included in the interim housing service provider contracts. The Project Roomkey services directly procured by LAHSA, which totaled an estimated \$48 million, were not included in our cost estimates.

LAHSA should reevaluate and redesign its bed availability system, and do more to monitor and improve the quality of data entered by contracted interim housing service providers.

A 2023 cost study commissioned by LAHSA and Los Angeles County, [*Understanding Interim Housing Costs Across Los Angeles County*](#), also described how discrepancies between LAHSA bed inventory records and bed inventories reported by service providers impacted consultants' ability to develop accurate cost estimates. The study heavily relied on the results of a survey in which interim housing operators self-reported cost information. The study also described service provider concerns about funding. Specifically, interim housing service providers voiced concerns related to reimbursed costs not reflecting their true operating costs. The study cited several factors as having a significant impact on operational cost including:

- staffing is the single largest cost driver and makes up about half of total costs;
- smaller sites generally have higher costs and larger funding gaps; and
- shelter facilities that are rented (e.g., hotels and motels) have higher costs and greater funding gaps than sites that are owned.

Additionally, staffing challenges within the Los Angeles homeless service system have become worse since the COVID-19 pandemic.

The Los Angeles Homeless Services Authority and the Los Angeles Continuum of Care

LAHSA is the lead government agency in the Los Angeles Continuum of Care (CoC) responsible for coordinating and providing homeless services, which includes operation of interim housing facilities.¹³ LAHSA was created in 1993 as an independent joint powers authority agency of the City and County to "provide homeless programs and services...in furtherance of the programs and goals of the County and City." LAHSA receives funding from the federal government (via HUD), state, county, city, and private sources on behalf of the Los Angeles CoC. This funding is spread across a large portfolio of programs that includes approximately 40 different interim housing service providers at more than 140 interim housing sites.

¹³ A Continuum of Care (CoC) is a U.S. Department of Housing and Urban Development-recognized regional or local planning body that coordinates housing and services funding for homeless families and individuals. The Los Angeles CoC includes the County of Los Angeles and 85 separate cities, including the City of Los Angeles.

Coordinated Entry System

LAHSA is responsible for managing the CoC's coordinated entry system (CES) for homeless services and resources. Federal rules established by HUD require CoCs to establish and operate a CES to prioritize and allocate limited resources, such as access to shelters and housing. HUD defines coordinated entry as "a process developed to ensure that all people experiencing a housing crisis have fair and equal access and are quickly identified, assessed for, referred, and connected to housing and assistance based on their strengths and needs."

LAHSA's CES is split into three distinct systems: (1) adults; (2) families with children; and (3) youth. Table 2 summarizes the core functions of CES, its prioritization goals, and how it interacts with unhoused people seeking help.

Table 2: Coordinated Entry System Core Elements

Purpose	Description
Access	Access provides a wide array of ways a person experiencing a housing crisis can enter the system and begin to seek help. Appropriate system access policies and coordination allow clients to quickly engage with the system to get immediate services, regardless of their individual characteristics or where they are able to access the system.
Assessment	Assessment helps ensure detailed and standard measurements of strengths and needs of people experiencing homelessness. Given the large homeless population in Los Angeles, the assessment does not rely on a comprehensive assessment tool, but instead a shorter survey that triages people's needs and determines which types of housing interventions and supportive services would be most effective in permanently ending the person's homelessness crisis.
Prioritization	While the demand for homeless services exceeds the relative availability of resources, prioritization helps reconcile this needs gap by identifying and prioritizing those with the most severe service needs or highest health vulnerabilities and connecting them to the most appropriate life-saving housing to meet their needs.

Referral	Referral which is commonly referred to as “matching” is the process of connecting individuals, based on prioritization and participant preferences, to available housing and resources that meet their needs. LAHSA notes that a well-coordinated referral process ensures participants are quickly and effectively connected to the appropriate resources, regardless of where they accessed the system or which provider they first contacted.
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Source: Department of Housing and Urban Development (HUD) requirements as adopted by LAHSA.

Given the major demand for housing services in Los Angeles and the limited inventory of interim and permanent housing in the region, **it is critical that the City and its partners adopt systems that connect people to resources in an efficient and equitable way.**

Homeless Management Information System

LAHSA’s Homeless Management Information System (HMIS) is an online database that enables CES-participating organizations to collect client-level information about the services they provide to people experiencing homelessness, and those who are at risk of homelessness. LAHSA and its partners use the system to track contacts with unhoused Angelenos, document the services they have received, and develop plans for improving access to resources and housing.

Federal law requires LAHSA to maintain HMIS in order to track homelessness resources and the recipients of those services. HMIS holds vital information that ultimately impacts how unhoused individuals are prioritized and referred for services and housing. LAHSA and its contracted service providers use HMIS to collect and analyze client information, including personal identifiers, client assessments, case management notes, demographic data, and program enrollments and exits. HMIS also tracks service provider and facility information, such as service organization names and profiles, homeless services provided at each facility, and shelter bed inventory and utilization data. **HMIS is the primary data source for information in this report related to City-funded interim housing beds, bed utilization rates, and interim and permanent housing placements.**

Pathways to Permanent Housing

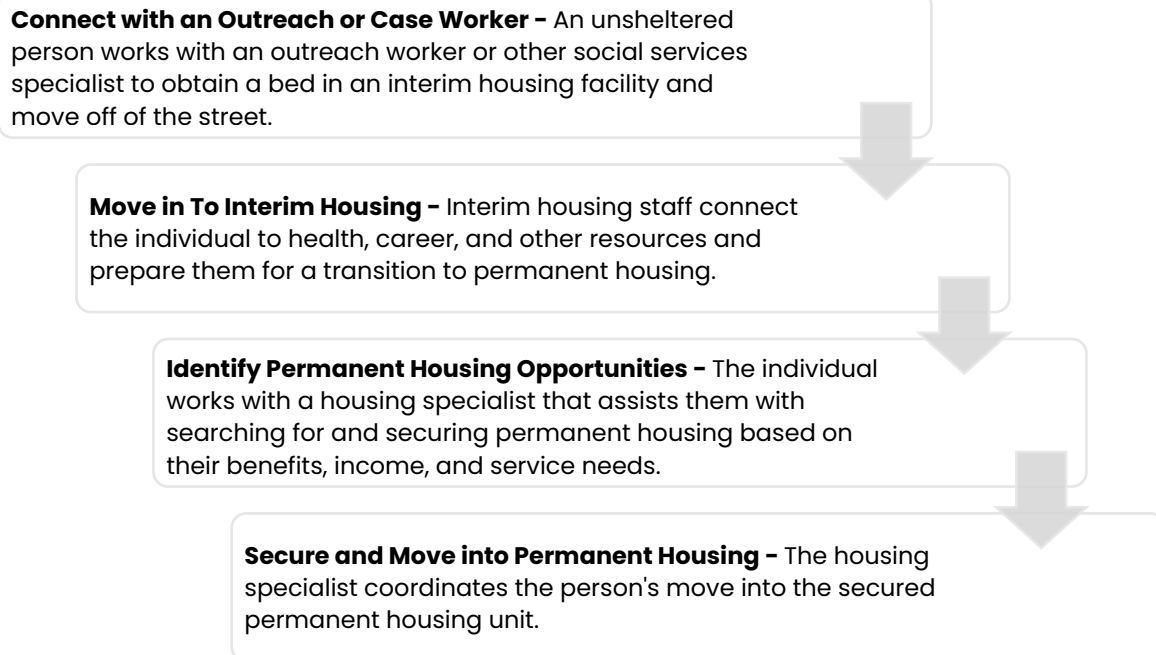
While each person has their own unique experience as it relates to their housing struggle and rehousing journey, people experiencing homelessness can face long, often complicated pathways to interim housing, and later permanent housing. While there is no single pathway for securing permanent housing, individuals typically make an initial connection with an outreach worker or caseworker, who helps facilitate a placement into an interim housing

facility. From there, the client receives support services to improve their readiness for permanent housing, and eventually work with caseworkers and/or housing navigators to secure a permanent living arrangement.

Figure 4: Typical Rehousing Process

Clients rely on a network of shelters, outreach workers, and case managers as they navigate the path from the streets to permanent housing.

Source: Office of the Controller



It is important to note that this path is not always linear and people often drop in and drop out of homelessness for various reasons. **The entire rehousing system needs to be working in harmony in order to get people housed as quickly and cost effectively as possible.** The following subsections provide additional information about each stage of the process.

Street Outreach and Other Rehousing System Entry Points

Street outreach teams serve as one of the primary CES access points. Street outreach aims to identify unsheltered people and build relationships with the goal of connecting them to support and housing resources. Outreach workers seek to develop trust and rapport with people experiencing homelessness to begin assessing their needs and explore problem solving or diversion options. During the engagement process, the outreach worker can begin offering services and developing a care management plan.

Outreach workers aim to link participants to interim housing as soon as possible, but also make referrals to non-housing services and support. This can include physical or mental health services, substance use services, documentation assistance, legal services,

employment services, housing navigation, permanent housing, domestic violence services, childcare, family reunification, or other community-based services.

In addition to contact with street outreach workers, unhoused people can enter the rehousing system through one of several other designated Access Centers, which can which include government buildings (e.g., libraries, county buildings, police stations), interim housing sites, safe parking sites, or other homeless services centers. Access Centers engage clients to provide problem solving services, build client relationships, evaluate participant needs, connect participants to housing programs, and provide support as needed. People can also call 2-1-1, the regional help line that connects callers to community and public health services.

Matching Unsheltered People to Interim Housing Beds

Upon entering CES, outreach or service provider staff work with unsheltered people to connect them to an interim housing bed. Within LAHSA's interim housing network, beds are classified as either matched or non-matched. Matched beds require a reservation and are subject to eligibility criteria, often established by the funder, to ensure that facilities with specific services, levels of care, or intended for specific populations are reserved for people most in need of those particular beds. For example, a specific portfolio of interim housing sites is dedicated to serving women, older adults, or people exiting incarceration.

Most interim housing beds funded by the City are considered matched beds because they are subject to eligibility criteria tied to geography. **In practice, this means that shelter beds are typically reserved for unsheltered people who are located in designated geographic zones near an interim housing facility.** The geographic zones are referred to as "catchments" by LAHSA and service providers. **Catchment criteria** and its impact on the interim housing matching process are described later in this report.

To facilitate the matching of eligible individuals to beds with enrollment criteria, LAHSA has established the **Community Queue**, which serves as a wait list for people seeking housing. LAHSA employs teams of matchers, who are specialists that work with clients and outreach workers to connect individuals in the Community Queue to matched interim housing beds, based on their eligibility and needs. Once a City-funded interim housing bed becomes available, a LAHSA matcher reviews the list of participants in the Community Queue and determines whether the catchment zone where the client is located aligns with the catchment where the bed is located.

Interim shelter beds that are not matched are typically available to people experiencing homelessness on a first-come, first-served basis. The majority of LAHSA and City-funded shelter beds are centrally matched (i.e., beds in A Bridge Home sites, Tiny Home Villages, and

hotel and motel-based shelters).¹⁴ Crisis and Bridge shelter facilities, which account for just under half of the shelter bed inventory, are able to accept new participants without a centralized referral from LAHSA, but may still require a referral from a local service provider.

Navigating People into Permanent Housing

After their housing crisis has stabilized and a person experiencing homelessness is staying in an interim housing facility, case managers evaluate their needs and eligibility with regard to permanent housing. The process, which is known as **Housing Navigation** and coordinated by LAHSA service providers, is carried out by teams of case managers known as Housing Navigators. Housing Navigators are dedicated specialists that help people experiencing homelessness identify, apply for, secure and move into permanent housing.

It is important to note that not all individuals enrolled in interim housing are enrolled into Housing Navigation services because there are a limited number of Housing Navigators.

LAHSA's goal is to move people into permanent housing within 120 days of Housing Navigation program enrollment. Currently, interim housing participants are generally prioritized based on document readiness (i.e., the client has identification, proof of benefits, and other records required to secure permanent housing), and length of time a person has been staying at an interim housing site.

Permanent Housing Destinations

People who are able to secure permanent housing may end up at one of several housing destinations. Permanent housing does not necessarily mean that a person is placed into government subsidized housing or housing that is owned by a public housing agency.

Permanent housing, as classified by LAHSA, can range from people moving in with a friend or family member for an extended period, to securing a voucher which can be used for rent. Each housing destination offers different levels of long-term stability.

Unsubsidized Permanent Housing – An exit to unsubsidized permanent housing is when a client is able to secure an apartment, or a bed or accommodation in a traditional housing setting, without additional government assistance.¹⁵ Exits to unsubsidized permanent housing

¹⁴ Between FY 2021 and FY 2023, centrally matched beds accounted for 53% to 55% of total City funded interim housing beds.

¹⁵ This category is officially referred to as "Permanent Housing" by LAHSA based on HUD guidelines. It is defined as a community-based housing model, the purpose of which is to provide housing without a designated length of stay. Permanent Housing program participants must be the tenant on a lease (or sublease) which must have an initial term of at least one year, be renewable for a minimum term of one month, and be terminable only for cause. We incorporated the term "unsubsidized" for clarity and to emphasize the lack of ongoing financial support in the form of vouchers or rental assistance.

include instances where clients secure a rental unit on their own, without a housing subsidy, or stay or live with family or friends on a long-term basis.

Permanent Supportive Housing – Permanent supportive housing is an intervention that combines subsidized housing with supportive services to address the needs of people experiencing homelessness with more acute needs. There are two broadly recognized types of permanent supportive housing – project-based and tenant-based. In project-based housing, residents live in a single site with some supportive services located on-site. In tenant-based housing, residents live in different units across a community, with supportive services individually provided through case managers.

Time Limited Subsidies – Time Limited Subsidies (formerly known as Rapid Re-Housing) are LAHSA's primary form of subsidy assistance for clients. The Time Limited Subsidy program assists people in accessing permanent housing for a limited amount of time, which is usually two years. To qualify, participants must meet HUD's definition of homeless and be at or below the 50% of Area Median Income threshold for Los Angeles County.

Throughout the life of the subsidy, service providers are expected to continue providing case management services to assist participants with housing retention goals and other service needs. The financial assistance is provided on a progressive basis, with the participant gradually assuming more and more responsibility for the cost of rent with the aim of empowering the participant to gradually be able to exit the Time Limited Subsidy program and remain housed.

Other Subsidies – Other subsidies, as presented in this report, are subsidies secured by clients that are not part of the Time Limited Subsidy program, including subsidies provided by the federal government. These subsidies assist clients with rental payments and other services. According to LAHSA, these vouchers, which commonly include case management or other services, can also be considered a type of permanent supportive housing.

- **Housing Choice Vouchers (Section 8)** – This is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Since housing assistance is provided on behalf of the family or individual, participants are able to find their own housing, including single-family homes, townhouses, and apartments.
- **Veterans Affairs Supportive Housing** – The HUD-Veterans Affairs Supportive Housing program combines HUD's Housing Choice Voucher rental assistance for homeless veterans with case management and clinical services provided by the Department of Veterans Affairs (VA). The VA provides these services for participating veterans at VA

medical centers, community-based outreach clinics, through VA contractors, and other VA service providers.

- **Emergency Housing Vouchers** – Emergency Housing Vouchers are HUD vouchers that public housing authorities, CoCs, and victim service providers can administer to support particularly vulnerable populations within the community. The vouchers are available to eligible individuals and families who are homeless, at-risk of homelessness, fleeing, or attempting to flee, domestic violence, dating violence, sexual assault, stalking, or human trafficking, or were recently homeless or have a high risk of housing instability.

The subsequent findings and recommendations in this report are intended to help the City and LAHSA improve the rehousing system in order to produce better permanent housing outcomes. These improvements are critical given the sheer magnitude of the homelessness crisis in Los Angeles and the City's precarious financial outlook.

I. INTERIM HOUSING OCCUPANCY RATES HAVE BEEN SIGNIFICANTLY BELOW LAHSA'S TARGET LEVEL

An early and critical step in the rehousing process is getting unsheltered people to transition to interim housing. We found that LAHSA and City strategies for moving people into shelter beds have fallen short, and most interim housing facilities are not meeting LAHSA's goal of maintaining bed occupancy rates of at least 95%. **Our analysis of LAHSA bed occupancy data showed vacancy rates between 22% and 36% during the five-year scope period of this audit.** While occupancy rates have been impacted by the pandemic, LAHSA's ineffective oversight of service providers, policy changes, and changes in the makeup of the City's housing inventory has likely contributed to lower occupancy rates at City-funded shelters.

To boost occupancy rates, LAHSA and the City should take steps to resolve longstanding data quality issues, strengthen efforts to hold underperforming service providers accountable, and improve living spaces in congregate shelters. LAHSA and the City should also develop additional policies and procedures governing how individuals are matched to available beds to ensure that City-imposed bed eligibility rules are not contributing to high vacancy rates, wasted resources, and inequitable outcomes.

Occupancy Rates at City-Funded Shelters Have Lagged in Recent Years

In an effort to minimize the number of beds that go unused on any given night, LAHSA has established the goal for all interim housing facilities to have an occupancy rate of 95%. To assess whether City and LAHSA rehousing efforts are maximizing the utilization of shelter beds, we analyzed HMIS data provided by LAHSA to determine the estimated occupancy rates for each of the City-funded interim housing types.

Occupancy is measured as the portion of bed capacity during the fiscal year reserved for enrolled participants. For purposes of measuring occupancy, a participant is considered enrolled once they have been accepted into the applicable interim housing program. LAHSA requires its funded shelters to reserve a bed for a newly enrolled participant for 90 days. Beyond the initial bed reservation period, there is currently no limit to a participant's length of stay at a shelter.

According to service providers that we interviewed, participants remain enrolled as long as they do not skip a certain consecutive number of nights, do not violate shelter rules, or voluntarily exit the program. Because this measure is based on participant enrollment data, which reflects the number of beds *reserved* for admitted participants out of total capacity, these occupancy rates tend to over represent actual shelter bed utilization because enrolled individuals are not required to stay at the shelter site every night.

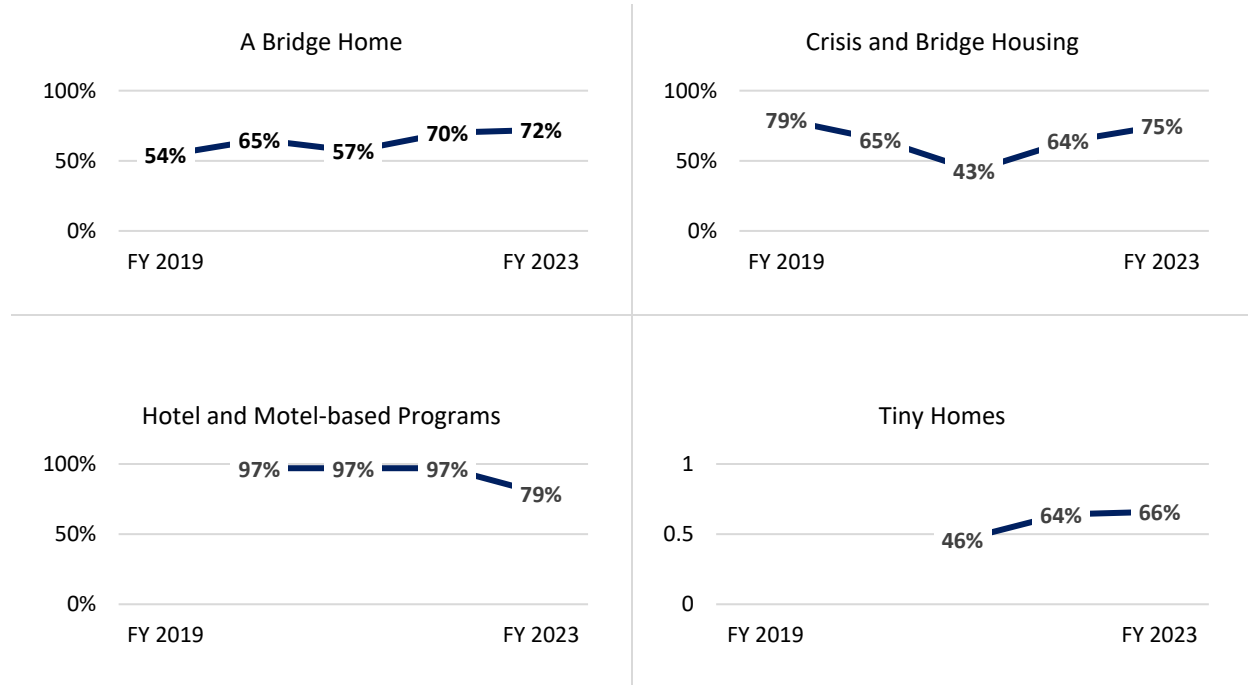
Our analysis of LAHSA data indicates that between FY 2019 and FY 2023, approximately 24% of interim housing beds went unfilled, based on the number of beds occupied and the total number of beds available for occupancy during the fiscal year.¹⁶ While lower occupancy rates for certain years are in part due to a decrease in demand for congregate living facilities during the COVID-19 pandemic and the need to reduce the number of people in interim housing facilities, the data indicates that the City and LAHSA need to do more to ensure that each shelter bed is filled on a given night.

¹⁶ Based on the percentage of unused shelter bed capacity below LAHSA's 95% target occupancy threshold.

Figure 5: Interim Housing Bed Occupancy Based on Enrollment

Citywide interim housing occupancy rates have ranged between 64% and 78% between FY 2019 and FY 2023, well below LAHSA's target rate of 95%.

Source: Controller analysis of data generated by LAHSA



Program	FY2019	FY2020	FY2021	FY2022	FY2023
Citywide Occupancy	78%	68%	64%	74%	73%

Overall, LAHSA interim housing enrollment data shows that **hotel and motel-based programs (Project Roomkey, Project Homekey, and Inside Safe) saw the highest rates of occupancy during the five-year period, reaching a high of nearly 97% in FY 2022.** Congregate facilities, including A Bridge Home, and Crisis and Bridge Housing, saw lower rates of occupancy, with Tiny Home Villages having the lowest rates of occupancy. Tiny Home Village occupancy rates did not exceed 70% in any of the five fiscal years covered by this audit.

It is important to acknowledge that the pandemic impacted clients' willingness and ability to enter into congregate living spaces due to the potential health risks. According to LAHSA, quarantine rules also impacted clients' willingness to enter congregate spaces because an entire facility could become subject to quarantine if an individual tested positive for COVID-19. **That being said, each unfilled bed represents a wasted public resource and a missed opportunity to provide critical assistance, and the citywide occupancy rate still had not recovered to pre-pandemic levels by the end of FY 2023. Based on LAHSA occupancy data from HMIS and estimated City spending to operate interim housing facilities, we estimate**

that between FY 2019 and FY 2023, unoccupied beds cost the City and other funders approximately \$218 million.¹⁷

Occupancy Rate Data Quality Problems Makes Evaluation of Shelter Performance Difficult

LAHSA has not maintained a process to regularly verify the accuracy of bed capacity information in HMIS. Data quality issues make assessing the interim housing system's performance difficult, and the extent of inaccuracies related to shelter bed capacity is not entirely known by LAHSA. According to LAHSA officials, HMIS errors in shelter bed capacity data (i.e., the number of beds at a shelter) have caused occupancy rates to be overstated in some situations and understated in other situations. A common cause of LAHSA data quality issues is fluctuations in shelter bed capacity which are not accurately reflected in HMIS, which is demonstrated in the following examples.

- LAHSA reduced maximum occupancy levels at many interim housing sites to reduce the spread of COVID-19. While the reduced maximum occupancy levels were initially updated in HMIS, subsequent fluctuations in occupancy thresholds were not always recorded in HMIS. As a result, occupancy rates for some facilities may appear to be artificially low during our five-year scope period. Alternatively, other shelters may have brought beds back online incrementally as the pandemic subsided, but HMIS capacity data was never updated to reflect increased capacity, which then resulted in occupancy rates being overstated.
- **LAHSA staff indicated that during the startup phases for hotel and motel-based shelters, significant data entry errors occurred because individuals would exit a facility, but shelter staff would then not always update HMIS to document their departure.** This resulted in hotel and motel-based programs having overstated occupancy rates for FY 2020 and FY 2021.
- During the COVID-19 pandemic, Tiny Home Village units, which are normally designed for two occupants, were converted to single occupancy to ensure that residents could maintain safe distancing practices. Although the occupancy policy changed, bed capacity data in HMIS was not consistently updated by shelter operators, which meant that the system reflected more bed inventory than was actually available. As a result, occupancy rates for Tiny Home Villages are likely understated.

¹⁷ This cost estimate is based on the percentage of unused shelter bed capacity below LAHSA's 95% target occupancy threshold and the relative share of the total estimated operating costs for City funded interim housing facilities.

LAHSA must work to improve the accuracy of its occupancy rate data and other important metrics in order to ensure that the agency and its partners can effectively measure the true performance of homeless services programs and determine which service providers need improvement.

LAHSA's Efforts to Hold Underperforming Service Providers Accountable Have Been Ineffective

Given the huge demand for interim housing and supportive services, it is essential that third-party contractors hired by LAHSA effectively deliver services and meet their contractual obligations. To ensure this occurs, LAHSA must evaluate service provider performance to assess progress toward achieving established goals, and take appropriate actions to improve performance when providers are falling behind.

We found that LAHSA's system for monitoring the performance of service providers and their adherence to performance requirements has been inadequate, and that the agency needs to take additional steps to ensure that it maintains a comprehensive oversight program which holds service providers accountable for performance. LAHSA has a dedicated compliance and monitoring program led by its Grants Management and Compliance Department. This unit is responsible for overseeing the administrative and fiscal practices of service providers. However, **the department was not tasked with monitoring service provider performance targets, including LAHSA's occupancy rate target of 95% and the rates at which individuals are placed into permanent housing.**

The lack of effective contractor oversight is especially concerning given ongoing stakeholder discussions that may result in higher rates paid to interim housing service providers. The City, County, and LAHSA are in the process of standardizing the scope of services and bed rate formula that is used to reimburse service providers. **While these potential cost increases may help address service provider concerns about staff salaries and retention, higher rates should further compel the City and LAHSA to develop improved performance management tools that hold underperforming service providers accountable.**

To evaluate the potential effects of insufficient service provider monitoring and performance variations among individual interim housing sites, we selected nine City-funded shelters and obtained the bed occupancy rate for each. To learn about the experiences of unhoused people staying at the sites and the challenges facing service provider staff, we also conducted site visits at eight of the selected nine locations to speak with facility managers, case workers, and residents.

Of the interim facilities selected for review, only one met LAHSA's target occupancy rate over the five-year period. Across the sites we selected, occupancy rates varied widely, ranging from a low of 66% at an A Bridge Home site to a high of 96% at a Crisis and Bridge Housing site. The range of occupancy rates indicates additional efforts by LAHSA to enforce the performance standards set in service provider contracts are necessary to ensure that taxpayer funds spent on interim housing do not go to waste.

Table 3: Aggregate Occupancy Rates at Randomly Selected Shelter Sites

Facility Type	Number of Beds	Enrollment Occupancy Rate
A Bridge Home 1	99	67%
A Bridge Home 2	80	66%
Crisis and Bridge 1	28	81%
Crisis and Bridge 2	121	96%
Crisis and Bridge 3	10	85%
Project Home Key 1	91	81%
Project Home Key 2	22	70%
Project Home Key 3	44	79%
Tiny Home Village 1	70	75%

Source: Controller analysis of data generated by LAHSA

According to LAHSA management, effectively monitoring service provider performance and holding service providers accountable for failing to meet occupancy or other targets has been difficult in recent years. The passage of Measure H in 2017 brought a significant amount of new funding to LAHSA, and resulted in a rapid expansion of LAHSA administered homeless services and programming.¹⁸ However, LAHSA staff explained that the agency was primarily focused on expanding the service provider network and its capacity, and that the contract monitoring and audit functions of the agency did not expand at the pace of provider services.

During this period of capacity growth, the agency also chose not to take a punitive approach when service provider performance was below expectations. **Service providers that were identified by LAHSA as failing to meet contracted performance terms typically would not face any serious consequences.** LAHSA's primary means of enforcement has been sending letters of noncompliance to service providers, and the agency has generally lacked a formal escalation or performance improvement program for contractors that perform poorly.

¹⁸ Measure H was a countywide measure approved by voters in 2017 that established a 1/4-cent sales tax increase to create a revenue stream dedicated to addressing and preventing homelessness.

LAHSA Is Piloting a New Service Provider Management Approach

According to LAHSA, the agency has made some changes to its service provider management approach. In FY 2023, LAHSA implemented a new monitoring strategy called “Active System Management”, which it believes is a more proactive approach to reviewing provider performance. With the Active System Management strategy, LAHSA claims to review occupancy rates and other relevant performance information on a continuous basis. According to LAHSA, the Active System Management initiative will include the potential for reduced funding for service providers that demonstrate poor performance or violate contract terms. With Active System Management LAHSA staff plan to conduct monthly meetings with service providers to review client roster, case management, and program management issues. LAHSA aims to provide technical assistance to providers with weaker performance records, and hopes to work towards advising service providers on how to help clients that are struggling to make connections to permanent housing and other services.

Since the rollout of Active System Management, LAHSA has only withheld funds for Housing Navigation service providers that failed to adhere to required staffing standards. **It remains to be seen the extent to which LAHSA will exercise its practice of withholding funds for other program areas, such as outreach and interim housing.** LAHSA management has also acknowledged the need to improve data collection and analysis practices so that it can identify performance issues, facilitate problem solving, and eliminate any barriers which may be hindering efforts to rehouse people.

LAHSA Needs Formal and Enforceable Performance Improvement Standards for Providers

HUD recommends establishing a “schedule of actions” with deadlines and milestones to address gaps between expected and actual performance. The schedule should set out the specific actions that will be taken based on the extent of underperformance, growing increasingly more severe if performance does not improve on the established timetable. Initial actions taken by program management can include providing technical support and developing a corrective action plan. If performance issues persist, more severe actions might include revising the program, reallocating funds, suspending payments, and ultimately cutting funding or terminating the contract.

Specifically, HUD recommends that local agencies take the following steps to address poor performance by service providers:

- **Establish a schedule of remedial actions** – Prepare a schedule of remedial actions the service provider should implement to improve program performance.

- **Develop a management plan** – Establish a management plan that assigns responsibilities for carrying out the remedial actions.
- **Create an escalation plan** – If performance issues persist, establish escalation options, which could include revising programs, reallocating funds, suspending payments, cutting funding and terminating contracts.

LAHSA should reconsider its approach to performance and contract management to ensure that it has mechanisms in place to improve contractor performance, or initiate enforcement actions if serious performance or contract compliance issues persist. LAHSA instead has taken the approach of encouraging improvement and providing technical assistance when feasible. Performance improvement and contract enforcement protocols are particularly important with regard to service providers because LAHSA generally does not incorporate any performance-based compensation models into its contracts, meaning contractors are paid the same amount—regardless of the occupancy rate and permanent housing placement success rate at any given interim housing facility.

Improvements to Congregate Interim Housing Facilities Are Needed

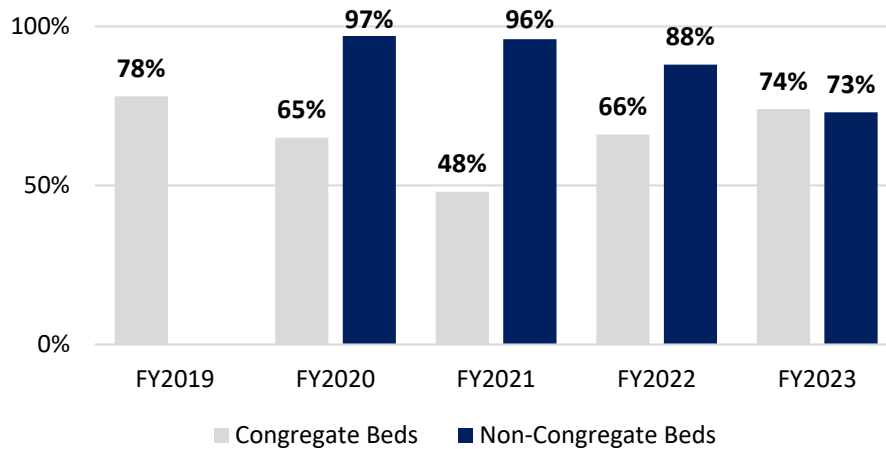
As shown in Figure 6, interim housing occupancy rates were highest in FY 2019, the period preceding the onset of the COVID-19 pandemic, with Citywide occupancy levels reaching an average of 78%. During this period, the only shelter types in the City’s portfolio were higher density, congregate interim housing facilities (i.e., Crisis and Bridge Housing and A Bridge Home facilities). The City had not yet introduced any tiny homes or hotel and motel-based shelters.

Due to changes to the City’s interim housing portfolio and COVID-19-related restrictions during the five-year period of time covered by this review, it is difficult to determine the specific root causes of occupancy rate fluctuations and lower occupancy rates for certain shelter types. Overall, **congregate shelters (Crisis and Bridge and A Bridge Home facilities) underperformed compared to non-congregate shelter facilities (hotel and motel-based programs and Tiny Home Villages).**

Figure 6: Occupancy Rates for Congregate and Non-Congregate Facilities

Beds in higher density congregate settings were more likely to go unfilled than those in more private, non-congregate settings.

Source: Controller analysis of data generated by LAHSA



These occupancy trends suggest that certain improvements to congregate living facilities could result in higher occupancy rates and utilization. According to LAHSA officials, the introduction of newer hotel and motel-based shelters and tiny homes initially resulted in weaker demand for congregate living quarters, particularly Crisis and Bridge housing, which tend to offer beds in shared spaces with less privacy. Following the City's expansion of shelter facility types, interim housing participants have generally preferred both private hotel and motel rooms, as well as tiny homes, because both offer more privacy and sometimes more comfortable spaces. The images below show the stark difference between higher density congregate shelters, and those that offer private spaces.

A Crisis and Bridge Shelter (left) and a Hotel-based Shelter Bed (right)



Source: Office of the Controller

Interim housing site operators we interviewed stressed that each client will have their own unique history, perspective, and needs. Some clients may benefit from congregate settings,

which can facilitate a sense of community among clients and an environment where people can make social connections and support networks. However, **many individuals experiencing homelessness have been victims of assault, theft, and other traumatic experiences and hardships while unhoused, which can result in an unwillingness or discomfort with sharing living spaces with others.**

Based on our site visits to interim housing facilities and feedback from residents, we determined that the development of better, trauma-informed congregate shelter environments could result in improved occupancy rates by making the sites more attractive to people experiencing homelessness. Reasons people experiencing homelessness might avoid a congregate shelter include concerns or perceptions about:

- insufficient privacy in including sleeping areas, living spaces, restrooms, and showers;
- not wanting to be separated from a pet or a partner;
- restrictive curfews;
- lack of space to securely lock up and store personal possessions;
- unsanitary conditions and the spread of infectious diseases; and
- poor site reputations and substandard facility conditions.

According to LAHSA program management, most participants will request to be placed in one of the private or semi-private living spaces, which can result in a diminished demand for older, more congregate options. While these options are generally not exclusively funded or operated on property owned by the City, low-cost improvements and reconfigurations of congregate living spaces could result in improved occupancy rates for some interim housing facilities by increasing demand, and providing spaces that provide clients with bed spaces that afford more privacy, a greater sense of security, and a more dignified experience as they work to recover from their time living unsheltered.

At a minimum, shelters that currently offer limited amounts of personal space could be improved by introducing cubicle style beds similar to those placed in A Bridge Home shelters. New bed solutions being tested in other cities may also be suitable for congregate shelters in Los Angeles. Pre-fabricated sleeping “pods” tested in London, provide unhoused people with privacy, while maximizing space.

A Bridge Home Bed (left) and Sleeping Pod in London (right)



Source: Office of the Controller (left) and Reeds Watts Architects (right)

Creating and maintaining spaces where unhoused people can feel safe and experience stability is of utmost importance as they work to improve their housing situation. Regardless of what improvements take place at interim housing facilities moving forward, performance measures like occupancy rates and retention rates can help LAHSA better understand the strengths and weaknesses of each facility and bed type, and inform future decisions and investments.

City-imposed Shelter Placement Criteria Can Result in Missed Housing Opportunities

As described in the background section of this report, Continuums of Care using HUD funding must implement a Coordinated Entry System. A Coordinated Entry System is a centralized and coordinated process to ensure that everyone experiencing a housing crisis has easy, fair, and equal access to resources and is quickly identified, assessed for, referred, and connected to resources. **While City shelters are generally not subject to HUD guidelines, the City has implemented policies that, in some situations, may be slowing interim housing placements.**

One impediment to expanding the City's network of shelter facilities is community resistance that is generally a result of the negative perceptions and stigmas about individuals experiencing homelessness. Communities also frequently express concerns about potential quality of life impacts, which include the establishment of encampments near shelter facilities, criminal activity, cleanliness concerns, and public health risks. There are also concerns that the facilities themselves will result in unhoused people being brought into the area from other parts of the City where there are fewer shelter beds.

LAHSA normally places unsheltered people waiting for a shelter bed on a wait list (known as the Community Queue), and the agency determines which interim housing facility is best for the client based on bed availability and eligibility. To manage community concerns and prioritize finding shelter for unhoused people in the areas where they reside, the City and LAHSA have implemented a geography-based placement criteria known as “catchments” for placements into City-funded shelters. Catchment zones closely align with Council District boundaries. **During LAHSA’s matching process, where individuals are assessed and placed into an interim housing solution, a person typically can only be placed into a City-funded shelter that is within the catchment zone in which they are located.**¹⁹

In addition to the geography-based catchment system, **the City routinely reserves beds for certain individuals, rather than LAHSA filling beds based on a needs assessment and their place on the interim housing wait list.** In July 2021, the City approved its amendment to Los Angeles Municipal Code Section 41.18, the City’s anti-loitering ordinance which allowed an increase in encampment cleanup activities within designated Special Enforcement Zones. Upon initial designation of a Special Enforcement Zone, the City claims that it tries to ensure no encampment cleanup actions take place unless individuals are provided with an opportunity for shelter. Outreach efforts also take place in connection with cleanups that take place after the initial designation of a Special Enforcement Zone.

However, available information suggests that outreach and housing offers made in conjunction with Los Angeles Municipal Code Section 41.18 cleanups are often ineffective, and are not resulting in a substantial number of people obtaining interim or permanent housing. A May 2024 report by the City’s Chief Legislative Analyst reported that LAHSA had engaged 1,856 unique clients in connection with the cleanups. Of the engaged clients, 313 were placed in interim housing, and two were placed in permanent housing. The Chief Legislative Analyst report stated that it was unclear how many of the engaged individuals were actually offered housing.

The need to offer people residing on the streets and in encampments shelter space prior to the initiation of an encampment cleanup means that the City routinely sets aside bed blocks in interim housing facilities during the lead up to a cleanup. According to LAHSA staff, City officials, including representatives from City Council Offices and the Office of the Mayor, will reserve bed blocks for periods of up to two weeks to ensure shelter space can be offered to unhoused individuals selected by those respective Offices. **Reserved beds cannot be offered to other clients who are willing to fill them immediately.** For example, during the months of

¹⁹ Inside Safe and Crisis and Bridge facilities are not subject to catchment requirements.

November and December 2023, LAHSA's matching team received 36 requests from elected offices to hold a total of 215 beds.

Despite having over 25% of unused capacity during FY 2022 and FY 2023, **approximately 30% (16,000) of LAHSA clients expressing interest in being connected to matched interim housing beds ultimately did not get connected to an interim housing bed and were exited from the Community Queue without a housing connection. This cohort of clients waited in the Community Queue for approximately six months, on average, prior to being exited.**²⁰

Available resources should be provided to unhoused people in an equitable, needs-based manner, regardless of where they reside. **According to LAHSA, no formal policy or procedure exists codifying the catchment and bed reservation systems, and shelters funded by the City are not subject to Coordinated Entry System requirements. The lack of formal referral and placement policies for shelters funded by the City may have a negative impact on the City's ability to house individuals in an efficient and equitable manner, which is the ultimate goal of Coordinated Entry System guidelines. This may cause delays in connecting individuals to shelter beds, and prioritize people at certain encampment locations rather than making placements based on a person's individual needs and their place in LAHSA's Community Queue.**

Although interim housing service providers are required to maintain a 95% occupancy rate, many of the City-funded shelters are required to only receive referrals through LAHSA's centralized matching and referral process, meaning the inflow of clients is often beyond service providers' control. Furthermore, catchment restrictions and bed reservations by City officials means that LAHSA's service providers (i.e., shelter operators and outreach workers) may be unable to place people in beds due to geographic restrictions or existing bed reservations.

Recommendations:

To increase interim housing occupancy rates and maximize City investments in rehousing solutions, the LAHSA, in coordination with the City, should:

1. Develop needs-based eligibility criteria for non-congregate shelter beds to ensure private spaces are available to individuals that would benefit most from private spaces.

²⁰ Wait time is based on the average quarterly median time in the Community Queue. LAHSA established the Community Queue in FY 2021. FY 2021 was excluded from this analysis because the tool was not widely and consistently used during its initial roll out.

2. Examine the feasibility of developing new, trauma-informed bed solutions for congregate settings that would provide more privacy and comfort to clients.
3. Develop a formal policy for the administration of LAHSA catchments which ensures that mechanisms are in place to fill available beds in each catchment with individuals residing in other geographic zones.
4. Develop a formal policy for the reservation of interim housing beds by City offices which ensures mechanisms are in place to limit the risk of reserved beds going unfilled.

To improve the ability of LASHA and the City to evaluate interim housing system performance and hold service providers accountable for poor performance, LAHSA, in coordination with the City, should:

5. Adopt/adhere to the federal government's Coordinated Entry System guidelines or another formal and consistent policy for the process of referring clients to City-funded interim housing facilities. Doing so would help the City maximize its investment in interim resources and ensure all open beds are available to individuals seeking shelter.
6. Establish new data quality control standards and monitoring procedures that ensure service providers accurately report bed capacity information. Monitoring procedures should include regular monitoring to the accuracy of bed capacity information to ensure occupancy rates are as accurate as possible when measuring system performance.
7. Develop occupancy performance monitoring and oversight mechanisms to ensure underperforming service providers are promptly identified.
8. Develop a formal policy and procedure for the establishment of corrective action plans for service providers that fail to meet performance or requirements. The policy and procedure should require the development of corrective action goals and milestones, and management plans that describe performance improvement plans and assign responsibility.
9. Develop and incorporate into contracts a compensation model which incorporates performance-based compensation in order to incentivize adherence to performance targets, and provide the agency with tools to hold service providers accountable for weak performance.

II. PERMANENT HOUSING PLACEMENT RATES ARE FAILING TO KEEP PACE WITH GROWING DEMAND

When a person experiencing homelessness secures an interim housing bed, it can provide them with the stability and services they need in order to improve health, employment, and living conditions. **However, connecting people to shelter beds is only part of the solution for ending the homelessness crisis in Los Angeles.** People experiencing homelessness do not end their rehousing journey until they secure a permanent home, but moving people from interim housing facilities into long-term, permanent housing remains a major challenge for both LAHSA and the City.

The rate at which LAHSA has been able to move people into permanent housing indicates that the agency has not been able to keep up with the growing demand, particularly given the expansion of the City's shelter system. While interim housing bed capacity grew by 220% between FY 2019 and FY 2023, permanent housing placements grew by just 21% over the same period, from 2,770 to 3,353. When considering the permanent housing placement rate relative to interim housing beds maintained, **LAHSA data indicates that permanent housing placement performance is actually declining.** This is due in large part to the lack of affordable housing in Los Angeles. However, new efforts and strategies are needed to help navigate people from shelters into the permanent housing units that are available in the region.

The faster the rehousing system can move a person from a shelter into a permanent housing setting, the faster shelter bed, supportive services, and permanent housing placement services will be available for new participants. This concept, the efficiency with which LAHSA can successfully move a person through the rehousing system, is known as throughput.

Although the City has invested in interim housing solutions in recent years, we found that LAHSA's ability to move people through the rehousing system has not necessarily improved. By some metrics, throughput has actually declined.

Permanent Housing Outcomes for People Enrolled in the City's Interim Housing Types Are Mixed

The total number of people placed into permanent housing did not substantially increase during the five-year scope period, and actually decreased during some years. Between FY 2019 and FY 2023, City shelters served 93,741 people. However, just 15,818 people (17%) secured

permanent housing.²¹ The most common pathway was the use of Time Limited Subsidies (39%) to secure a housing unit. Permanent supportive housing was the least common permanent housing destination, accounting for 13% of placements. Table 4 summarizes the total number of people that secured permanent housing, broken out by destination.²²

Table 4: Permanent Housing Placement by Destination Type

Permanent Housing Destination	FY2019	FY2020	FY2021	FY2022	FY2023	Total
Perm. Housing-Time Limited Subsidy	929	1,069	1,808	1,276	1,022	6,104
	34%	35%	47%	45%	30%	39%
Perm. Housing-Other Subsidy	658	715	740	712	1,124	3,949
	24%	24%	19%	25%	34%	25%
Unsubsidized Permanent Housing	852	939	642	486	748	3,667
	31%	31%	17%	17%	22%	23%
Permanent Supportive Housing	331	302	635	371	459	2,098
	12%	10%	17%	13%	14%	13%
Total Perm. Housing Placements	2,770	3,025	3,825	2,845	3,353	15,818
	20%	17%	20%	14%	15%	17%
Total Participants Served	14,106	18,001	19,015	19,985	22,634	93,741

Source: Controller analysis of data generated by LAHSA

However, the total number of people who are placed into permanent housing is not always the most complete metric for measuring the efficiency of the rehousing system, or the types of interim housing and service programs that are most likely to put an unhoused person on a pathway to permanent housing. There are other key metrics that can be used to measure the success of a rehousing system and its components, such as occupancy rates at shelters, average length of stay for individuals housed at a shelter, rates at which people return to homelessness, and rates at which people are able to obtain permanent housing. **The rate at which people are able to transition out of interim housing into a permanent housing setting is among the most important of those metrics, because the ultimate objective for LAHSA, the City, and funding partners is linking people experiencing homelessness to permanent housing.**

²¹ The count of participants served is based on the number of unique participants served by City shelters in each fiscal year.

²² See **Appendix A** for a comprehensive breakdown of permanent housing placements for individuals enrolled in City shelters.

As part of this review, we sought to evaluate the performance of the various types of interim housing funded by the City, and whether clients at certain shelter types are more likely to achieve a placement in permanent housing. Specifically, we used LAHSA data to evaluate the following outcomes across City-funded interim housing types:

- rates at which people staying in interim housing returned to homelessness;
- rates at which people exit to permanent housing;
- length of stay at interim housing sites before securing permanent housing;
- length of stay at interim housing sites prior to returning to homelessness; and
- the extent to which Time Limited Subsidies (the most common permanent housing subsidy type) is successful in its efforts to help people remain permanently housed.

LAHSA does not set a maximum amount of time a person can stay at a shelter. Each client has unique needs as they work toward ending their experience with homelessness, and the amount of time it takes to secure permanent housing can vary. While permanent housing placements are successful outcomes, it should be noted that each destination offers different levels of stability and people may remain at risk of falling back into homelessness. **Of particular concern are the approximately 3,600 people who exited to unsubsidized permanent housing during the five-year scope period of this audit. More than 55% of this group are listed in HMIS as having secured market rate housing without any financial subsidies/rental vouchers. These individuals may not be able to sustain long-term housing independence without some level of financial support.**

Approximately 44% of exits to unsubsidized permanent housing consisted of people making arrangements to stay with family/friends. HUD regulations do not define the minimum length of time required for a stay with family/friends to be considered “permanent,” and service providers have the discretion to make the determination and document the outcome in HMIS. **The lack of specificity combined with LAHSA’s lack of oversight means that service providers could inflate their placement rates while exiting people into temporary/unstable “couchsurfing” arrangements that do not meaningfully end an individual’s homelessness.**

A Majority of People Return to Homelessness and Other Unknown Destinations, Regardless of Shelter Type

While the stated goal of the City and LAHSA is to move individuals into permanent housing, the rehousing system’s temporary housing programs do not always serve as a stepping stone to becoming permanently housed. We analyzed the rates at which people staying in

interim housing are returning to homelessness and unknown destinations, a key metric tracked by LAHSA in order to monitor outcomes for clients.²³

We found that for all interim housing types, a majority of clients eventually exited shelters and returned to homelessness, or some other unknown destination, rather than permanent housing. Individuals staying in Crisis and Bridge Housing facilities and hotel and motel-based shelters had the lowest rates of exits to homelessness and unknown destinations with averages of 57% and 60%, respectively. Tiny Home Villages had the highest rate of exits to homelessness and unknown destinations at 76%.

Table 5: Rate of Exits to Homelessness and Unknown Destinations Relative to Total Exits²⁴

Program	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	AVG
A Bridge Home	62%	70%	69%	60%	61%	65%
Crisis + Bridge Housing	62%	59%	50%	57%	57%	57%
Hotel/Motel Programs	–	79%	57%	61%	61%	60%
Tiny Homes	–	–	89%	81%	71%	76%

Source: Controller analysis of data generated by LAHSA

It is important to note that not every interim housing program was established with a primary objective of moving people into permanent housing. Project Roomkey was established in order to help vulnerable people shelter during the COVID-19 pandemic, while Project Homekey facilities were intended for eventual conversion into permanent supportive housing units. That being said, LAHSA and the City should take immediate steps to address data quality and performance management issues so that they can make informed funding decisions based on which facilities are producing the best permanent housing outcomes.

LAHSA Performance Metrics for Permanent Housing Placement Rates Do Not Effectively Measure System Efficiency

LAHSA's primary method for evaluating the performance of both individual homeless services providers and the rehousing system as a whole is the number of exits to permanent housing (i.e., permanent housing placement) relative to the total number of exits from the shelter.

LAHSA contracts with service providers set a permanent housing exit to total exit ratio performance goal of 20%. Based on LAHSA's standard metric for permanent housing

²³ An exit to an unknown destination means a client's whereabouts are unknown because they left an interim housing facility but did not know their destination, left an interim housing facility but refused to provide information about their destination, or did not participate in an interview with shelter staff when leaving the facility.

²⁴ The five-year averages exclude the first fiscal year in which the interim housing type was established. Those exclusions are FY 2019 for A Bridge Home, FY 2020 for hotel/motel programs, and FY 2021 for Tiny Homes.

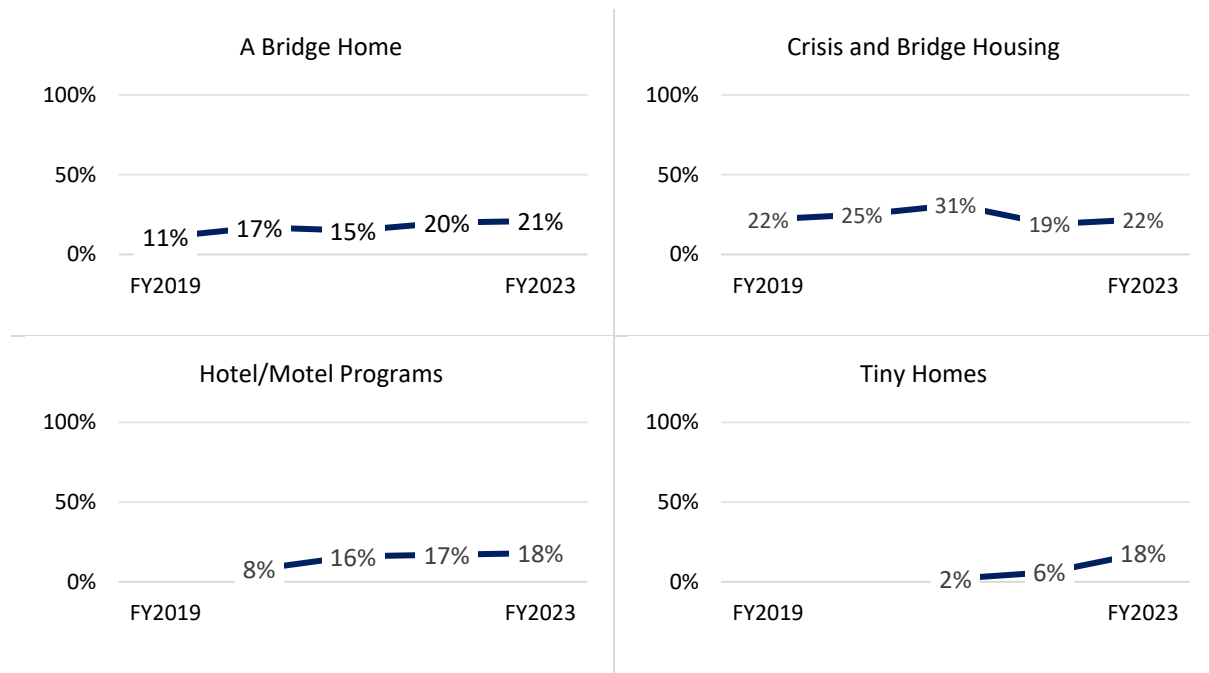
placement performance, Crisis and Bridge housing and A Bridge Home centers tended to see higher rates of exits to permanent housing destinations. Permanent housing exit rates tended to be lower from Tiny Home Villages and hotels/motels. The Citywide placement rate across all shelter types ranged from a low of 18% to a high of 24% during the five-year scope period of this audit.

It is important to note that the total number of individuals who transitioned to permanent housing destinations was small relative to the total number of unique individuals served by City shelters. Each year between FY 2019 and FY 2023, City shelters serviced an average of nearly 19,000 individuals. However, on average, fewer than 3,200 of those individuals enrolled in City shelters secured permanent housing each year. **Furthermore, a causal relationship between housing type and permanent housing exits is unestablished. Different variables, such as the performance of shelter operators, the quality of housing navigation services, and the clients' readiness for permanent housing, could explain outcome differences.**

Figure 7: Rate of Exits to Permanent Housing Destinations Relative to Total Exits

Citywide permanent housing exit rates ranged between 18% and 24% between FY 2019 and FY 2023, though these exit rates do not necessarily reflect the efficiency of service providers.

Source: Office of the Controller analysis of occupancy data generated by LAHSA



Program	FY2019	FY2020	FY2021	FY2022	FY2023
Citywide	22%	23%	24%	18%	21%

Source: Controller analysis of data generated by LAHSA

While the ratio of exits to permanent housing to total exits provides useful performance information about success relative to the number of people at a shelter, it does not necessarily provide LAHSA, the City, and members of the public with accurate information about the performance of individual service providers. In addition, it is not necessarily the best metric for determining which interim housing solutions and case management strategies are most successful in transitioning people into permanent living arrangements. That is because the existing performance metric can be impacted by the occupancy rates of shelter locations, meaning lower occupancy rates at shelters could actually make the permanent housing placement rate appear better relative to prior periods simply because the shelter is serving fewer people.

For example, between FY 2020 and FY 2021, Crisis and Bridge Housing facilities reduced their capacity in order to comply with pandemic-related public health guidelines, which resulted in fewer people enrolling in shelter beds. During that FY 2020 through FY 2021 period, LAHSA data indicates that the Crisis and Bridge Housing rate of exits to permanent housing relative to total exits increased from 25% to 31%. However, the number of placements into permanent housing actually declined 4% over that period, from 2,865 to 2,753. **This indicates that LAHSA's primary performance metric for measuring permanent housing placement success is not always the best measure, because it may show improvements when the number of actual permanent housing placements does not change, or even declines.**

To evaluate the ability of LAHSA and its partners to move people into permanent housing and free up interim housing beds and supportive services, **we considered an alternative performance measure to better assess rehousing system throughput.** We analyzed the ability of LAHSA to move people into permanent housing by determining the rate of permanent housing placements relative to the number of shelter beds maintained. This ratio of permanent housing placement generated per shelter bed provides a more complete picture of the efficiency in which LAHSA and service providers move people into permanent housing, and provides insights as to whether certain facilities or providers are more successful than others. A 1-to-1 ratio (expressed as 1.0) indicates that each shelter bed maintained resulted in one permanent housing placement annually. A higher ratio indicates a greater number of permanent housing placements per each interim housing bed.

Using this performance metric, we found that while bed capacity for City-funded interim housing programs has nearly tripled during the scope period, LAHSA has been largely unable to scale up efforts to move people in interim housing into permanent housing.

According to LAHSA, this is due in large part to the lack of housing subsidies and permanent housing inventory. In FY 2019, the ratio of permanent housing placements generated per City-funded shelter bed was 1.3. That figure dropped to 0.6 in FY 2020, and was 0.5 in FY 2023. It is

important to note that between FY 2019 and FY 2023, the number of exits to permanent housing increased by just over 20%.

However, **the decline in the number of placements per bed maintained suggests an imbalance has developed within the rehousing system, as service providers responsible for placing people into permanent housing have not been able to keep pace with growing demand.** Table 6 below details the interim housing placement rates relative to the number of beds maintained between FY 2019 and FY 2023.

Table 6: Permanent Housing Placement Rate Per Bed Maintained

Program	FY2019	FY2020	FY2021	FY2022	FY2023
A Bridge Home	0.1	0.2	0.3	0.3	0.3
Crisis + Bridge Housing	1.4	1.1	1.0	0.6	0.6
Hotel and Motel-based Programs	-	0.2	0.4	0.4	0.4
Tiny Homes	-	-	0.0	0.1	0.2
Citywide	1.3	0.9	0.6	0.5	0.5

Source: Controller analysis of data generated by LAHSA

While this report acknowledges that a primary cause for LAHSA's inability to scale up the permanent housing transition process is the inadequate supply of supportive and market rate housing in Los Angeles, LAHSA must ensure that it has the capacity to move people out of interim housing, which is only meant to serve as a temporary housing solution. LAHSA officials acknowledged that achieving and maintaining higher levels of throughput is a major organizational priority. **Both LAHSA and its service provider partners expressed concerns that the funding levels for permanent housing programming are insufficient given the large increase in interim housing clients that now require assistance.** LAHSA officials indicated that the expansion of interim housing without a major expansion for housing placement services is resulting in higher rates of individuals entering interim housing, but then returning to homelessness or outcomes other than permanent housing.

Lengths of Stay Prior to Securing Permanent Housing Vary Greatly Across Shelter Types and Permanent Housing Destination Types

Identifying the type of interim housing that is best suited to maximize throughput is difficult, as there are many factors that contribute to how quickly people can transition from interim housing into permanent housing including the availability of permanent housing resources. **However, in many cases, the type of permanent housing the client is seeking to secure or the type of benefit the client is using has a greater impact on the time it takes to secure permanent housing than the type of shelter they are in.**

We found that between FY 2019 and FY 2023, people tended to secure unsubsidized permanent housing (i.e., an apartment or accommodation in a traditional housing setting, without additional government assistance) placements faster than any other housing type. Individuals in A Bridge Home facilities and Crisis and Bridge Housing secured permanent housing fastest, averaging 2.4 and 3.7 months, respectively. Placement into permanent housing took slightly longer from hotel and motel-based programs and Tiny Homes, averaging 5.2 and 4.8 months respectively.

Regardless of the type of shelter facility in which an individual is staying, placement into permanent supportive housing (i.e., subsidized housing with supportive services), of which there is an acute shortage, tends to take longer when compared to other permanent housing settings. Permanent supportive housing placements normally take between seven and eight months for all interim housing types, with the exception of Crisis and Bridge Housing, where it takes approximately five months. Similarly, permanent housing placements using subsidies (i.e., housing vouchers) tend to take a longer period of time – usually between six and nine months. Table 7 shows the average length of stay prior to being placed into permanent housing for each interim housing facility type.

Table 7: Average Length of Stay Before Securing Permanent Housing (Months)²⁵

Unsubsidized Permanent Housing						
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	AVG
A Bridge Home	0.8	2.6	2.6	2.6	3.5	2.4
Crisis + Bridge Housing	3.0	4.4	5.3	2.8	2.8	3.7
Hotel/Motel Programs	-	-	4.3	4.3	7.0	5.2
Tiny Homes	-	-	-	5.7	4.0	4.8
Permanent Supportive Housing						
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	AVG
A Bridge Home	4.0	7.5	8.7	7.6	11.1	7.8
Crisis + Bridge Housing	3.0	3.0	7.3	4.5	5.8	4.7
Hotel/Motel Programs	-	1.2	4.6	9.0	10.8	8.1
Tiny Homes	-	-	-	4.2	9.9	7.1
Time Limited Subsidy						
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	AVG
A Bridge Home	3.8	8.0	4.9	6.9	8.4	6.4
Crisis + Bridge Housing	4.4	6.0	10.2	4.9	6.3	6.4

²⁵ Based on Controller analysis of data generated by LAHSA. Lengths of stay are based on the average quarterly median length of stay for participants placed in permanent housing.

Hotel/Motel Programs	-	1.5	5.2	6.8	7.4	6.4
Tiny Homes	-	-	-	6.0	11.2	8.6
Other Subsidies (Section 8, Veterans Affairs, and Emergency Vouchers)						
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	AVG
A Bridge Home	-	7.0	6.9	8.1	10.1	8.0
Crisis + Bridge Housing	5.0	5.4	8.4	6.4	6.0	6.2
Hotel/Motel Programs	-	1.5	5.0	7.0	10.1	7.3
Tiny Homes	-	-	-	4.8	10.4	7.6

According to staff responsible for managing interim housing facilities, every client has unique needs. Congregate living settings are best for some people who might not be ready to live on their own in a private space. For others, clients staying in non-congregate programs offer some participants the chance to acclimate to permanent housing settings by living in a unit that mirrors such environments. According to some interim housing case managers, transitioning from a private unit with wraparound services, such as meals, laundry, and other case management services, into a permanent housing setting without supportive services can sometimes be difficult for clients. This observation highlights the need for high quality Housing Navigation services for clients, as Housing Navigators are an essential link for people as they seek and apply for permanent housing units.

Outcomes for Time Limited Subsidy Recipients Shows More Data Is Needed on Housing Permanency

Homelessness can be a revolving door for many unhoused people, and data related to outcomes for individuals that receive housing with Time Limited Subsidies indicates that more information is needed to better understand the types of permanent housing placements that result in people remaining housed on a long-term basis. **Data reported by LAHSA as part of its System Key Performance Indicators initiative shows that some people who secure permanent housing placements return to homelessness in a fairly short amount of time.**²⁶

System Key Performance Indicator data for Time Limited Subsidies tracks client outcomes throughout the life of the 24-month subsidy. **For FY 2021, the most recent period for which a complete 24-month subsidy lifecycle is available, 12% of people returned to homelessness over the life of the subsidy.** Of those that returned to homelessness, just over half did so

²⁶ The System Key Performance Indicators initiative is a partnership between LAHSA and the California Policy Lab that monitors the performance of homeless services across certain components of the rehousing system. The California Policy lab is a research institution of the University of California that receives funding through public and private sources.

within one year of moving into a unit using a Time Limited Subsidy. This does not include the people that returned to homelessness after the expiration of their Time Limited Subsidies. Participants returning to homelessness will once again end up requiring shelter and rehousing services.

Exits from interim housing using Time Limited Subsidies accounted for 39% of total exits to permanent housing destinations between FY 2019 and FY 2023, which indicates that outcome information is available only for a small number of people LAHSA considers to be permanently housed.

These trends highlight the need to further examine the success of permanent housing solutions in helping people remain housed on a long-term basis, as efficient throughput in the rehousing system will only be truly successful when people who secure permanent housing are not subsequently returning to homelessness. The System Key Performance Indicator initiative does not currently track outcomes for subsidies other than Time Limited Subsidies, and does not monitor outcomes for people that secure unsubsidized permanent housing (i.e., an apartment or accommodation in a traditional housing setting, without additional government assistance).

Measuring Performance Is Difficult Due to Constant Program Changes

According to LAHSA, the disparities in outcomes and performance across interim housing programs is due at least in part to the numerous changes the interim housing system has undergone since FY 2019, and what it referred to as “ramp-up periods” when new programs are introduced. LAHSA officials explained that when new interim housing facility types were introduced, they were not necessarily operating at full capacity or with normal efficiency levels within the first months or even up to a year after opening. As a result, certain services, such as case management services or housing navigation, may not have been delivered at full capacity at new sites.

During these periods, service providers typically undertake essential tasks such as hiring staff, establishing policies and procedures, and building connections with clients. **According to LAHSA, these initial steps are crucial for laying the foundation of a new program, but often lead to weaker initial performance results compared to well-established programs.**

Due to the dynamic nature of the rehousing process and the unique needs of each person, it may not be feasible to establish a single goal for the amount of time it takes to enroll a person into permanent housing once they begin their stay at an interim shelter. Furthermore, while it is understandable that newer programs require time to reach optimal performance levels, the absence of clearly defined performance expectations during ramp-up periods for goals such as occupancy rates, permanent housing placement rates, and rates at which

people return to homelessness, makes it difficult to assess whether a program or particular service provider is successfully carrying out required services and achieving intended outcomes.

New goals and guidelines that address expectations for lengths of stay at interim housing facilities and interim housing operator performance following the establishment of a new housing program or facility would help guide both LAHSA and City assessments of system performance.

A Lack of Housing Navigation Services Hinders Rehousing Efforts

Housing Navigation services aim to help connect people experiencing homelessness to permanent housing by providing the services that help people identify, apply for, secure, and move into permanent housing. Based on our analysis and feedback received from homeless services officials, **connections to Housing Navigation case management services, and the quality of those services, is much more important than the type and quality of the interim housing facility in which a client resides.** With current funding levels, LAHSA only has the capacity to enroll 30% of the people staying in interim housing facilities into Housing Navigation.

According to LAHSA, the Housing Navigation system has been strained in recent years, which has limited the success of the program. Specifically, **housing navigation service providers had large caseloads that sometimes made it difficult to provide the level of attention and service to clients needed to make permanent housing connections.** We spoke to several case managers who highlighted issues about how many clients require intensive case management and assistance, and that coordinating permanent housing placements can take extended periods of time and patience.

In addition to large caseloads, until very recently, Housing Navigation services were a responsibility of interim housing facility operators. Given the broad scope of services required for shelter operators (e.g., operating and maintaining facilities, providing health and social services, and helping clients secure documents and records needed to apply for housing benefits), LAHSA officials believed Housing Navigation was not necessarily a top priority for all shelter operators. Moreover, it was possible for Housing Navigators at shelters to be drawn into other responsibilities due to shelter staffing constraints, which would impact their ability to help program participants.

To evaluate the overall success of Housing Navigation Services, we used LASHA data to compare the rates at which people with access to Housing Navigation Services exited to a permanent housing destination (i.e., exits to permanent housing relative to the total exits) to

the rates at which people exited to permanent housing destinations without access to Housing Navigation. LAHSA data indicates that **between FY 2019 and FY 2022, individuals with Housing Navigation were not more likely to secure permanent housing than those who were not enrolled in housing navigation services.**

Table 8: Rate of Exits to Permanent Housing Relative to Total Exits

Housing Navigation Status	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
With Housing Navigation	18%	19%	22%	16%	35%
Without Housing Navigation	21%	23%	26%	21%	20%

Source: Controller analysis of data generated by LAHSA

As indicated by the increase in the permanent housing placement rate for FY 2023, LAHSA has taken steps to improve the delivery of Housing Navigation services to clients. In FY 2023, to address concerns related to weaker than necessary Housing Navigation performance, LAHSA made structural changes to its approach to making permanent housing connections. According to LAHSA, they made the changes following an evaluation of housing navigation data and programs. LAHSA reports that the recent shift is enabling the agency to proactively monitor the permanent housing placement process, and make proactive improvements to the housing navigation system's performance.

Rather than Housing Navigation being a responsibility of LAHSA's Interim Housing program, the agency established Housing Navigation as its own standalone program where dedicated housing navigation service providers would be responsible for assisting clients with their transition into permanent housing. **This organizational and contracting shift allows the agency to manage a service line dedicated to permanent housing placement, which it believes will help with client throughput.**

LAHSA now also prescribes a specific caseload for Housing Navigation staff, and switched to what it calls a "slot-based system" for managing caseload capacity. This slot-based system specifies that no more than 20 clients can be served by a case manager at any given time. Contracts previously operated on a "contracted-to-serve" basis, which specified the number of people a service provider was expected to assist during each fiscal year. According to LAHSA, this meant that a Housing Navigation case manager would often be responsible for managing too many cases at a time, which was permissible so long as the service provider provided housing navigation assistance to the number of individuals specified by the contract. **LAHSA believed that the quality of housing navigation services suffered when case managers had caseloads that were too large, which was unhelpful for clients seeking permanent housing.**

In addition to the new caseload policy, Housing Navigation is now only available to individuals enrolled in interim housing. Housing Navigation service providers previously had discretion with regard to enrolling clients, and would enroll clients engaged with street outreach and navigation centers. This resulted in the enrollment of larger numbers of individuals who were harder to navigate into permanent housing due to the instability associated with being unsheltered.

While it remains to be seen whether LAHSA's changes to the Housing Navigation program will yield success over the long term, the initial data appears promising. Over the first eight months of FY 2024, the permanent housing placement rate with Housing Navigation services was 50%, compared to 20% without. As detailed above, these outcomes are significantly different than in previous fiscal years. According to LAHSA, these improvements are intended to help move clients that are already staying in interim housing move into permanent housing more efficiently than in previous years, and ensure that limited Housing Navigations resources are maximized by allocating those resources to individuals who are in stable situations and most ready to make the permanent housing transition.

LAHSA Should Revisit Permanent Housing Placement Goals for Service Providers

As previously described in this section, Housing Navigation services have historically been carried out by interim housing service providers. However, Housing Navigation is a time and labor-intensive process. Housing Navigation staff help people apply for housing benefits, secure housing benefits and subsidies, locate units, visit available units, apply for housing units, and move into a housing unit. Despite the establishment of Housing Navigation as a dedicated program, permanent **housing placement rate goals are included in interim housing service provider contracts, but not contracts for housing navigation services.**

According to LAHSA, successfully moving a client into permanent housing is a shared responsibility, and it may be difficult to identify a specific service area in the rehousing process or specific service provider as most responsible. For example, interim housing service providers are responsible for the early tasks that assist participants with achieving a permanent housing placement, such as helping clients become document ready. Document readiness is a prerequisite of referral into LAHSA's housing navigation services, meaning interim housing facility case managers are a key part of the transition process even when not responsible for navigation. Furthermore, it is possible for people to transition into permanent housing without housing navigation enrollment. Interim housing staff for example can assist residents with securing federal vouchers, or guide a person as they seek self-resolution as an outcome (e.g., moving in with a friend or family member).

Due to the overlapping permanent housing placement responsibilities among interim housing operators and housing navigation service providers, the implementation of contractual performance goals for interim housing operators only does not adequately account for all responsible parties, leaving gaps in LAHSA's performance monitoring program.

Overlapping responsibilities among service providers and inconsistent assignment of permanent housing placement rate targets ultimately hinders LAHSA's ability to measure progress and operational efficiency.

New Efforts to Secure Master Leases Could Create More Permanent Housing Options for Navigators and Their Clients

In an effort to reduce its reliance on the private housing market, LAHSA is taking steps to gain more control over the number and availability of permanent housing units. LAHSA has launched a pilot program known as the Centralized Master Lease Program. With the Centralized Master Lease Program, LAHSA will lease an entire apartment building, and then in turn sublease the units in the building to people experiencing homelessness. The County of Los Angeles, through a partnership with L.A. CARE Health Plan and Health Net, provides funding to cover program costs not covered by rent revenue.²⁷ Those costs include property maintenance, property management, security, landscaping, damages, and utilities, among others.

The primary goal of the Centralized Master Leasing Program is to make it easier for unhoused people to secure apartment leases, as people with housing benefits such as Housing Choice Vouchers (Section 8) often struggle to secure leases with traditional landlords due to bias and other market factors. Individuals residing in interim shelters, those actively working with outreach workers to secure interim or permanent housing, and people impacted by encampment cleanups are eligible for units in master leased buildings. People experiencing homelessness do not need to be document ready in order to move into a master leased unit, which expedites the move-in process.

As of July 2024, LAHSA's master leasing program portfolio had 393 units. According to LAHSA, the agency has been able to fill master leased buildings in three to five days, which highlights what it says are efficiencies gained when subleasing units directly to people experiencing homelessness. While it remains to be seen whether this strategy controls or lowers permanent housing costs and moves a substantial number of people into permanent

²⁷ L.A. CARE Health Plan and Health Net are managed health care plan providers that serve individuals receiving Medi-Cal health benefits. Medi-Cal is a state program that pays for health care services for people with limited incomes and resources.

housing, it represents a positive step toward expanding the inventory of affordable housing units available to those experiencing homelessness.

Recommendations:

To maximize the number of permanent housing connections it can make, LAHSA, in coordination with the City, should:

10. Increase the number of housing navigators to expand the number of people staying in interim housing that are able to enroll in housing navigation services.

To ensure the effective monitoring of service providers and increase the performance of the permanent housing placement system, LAHSA should:

11. Assess the feasibility of consolidating housing navigation services and interim housing services under a single contract to streamline the case management process and make the performance management and contract monitoring process easier to implement.
12. Clearly define the permanent housing placement responsibilities of interim housing operators and housing navigation service providers to make clearer which parties should be held accountable for permanent housing placement rates that are below expectations.
13. Define permanent housing placement rate goals and expectations for new programs during what LAHSA considers to be ramp-up periods. Performance goals should consider expected performance levels while a program is developing, and length of time it should take for providers to begin operating at full capacity.
14. Develop formal monitoring and corrective action procedures for interim housing and housing navigation service providers that are failing to meet established performance goals.
15. Assess the feasibility of developing and incorporating into contracts a compensation model which incentivizes adherence to permanent housing placement rate targets.
16. Adopt permanent housing placement performance metrics that are not influenced by bed occupancy levels. Alternate metrics could include permanent housing placements achieved per bed maintained, or the total number of permanent housing placements against an established performance goal.
17. Establish key performance indicators and monitor outcomes for people after their Time Limited Subsidies expire, and for people permanently housed with subsidies

other than Time Limited Subsidies, and individuals that obtain housing without government assistance, such as an apartment without subsidies or moving in with a family member or friend.

RECOMMENDATION TABLE

Number	Recommendation
<i>Responsible Entity: Los Angeles Homeless Services Authority</i>	
<i>To increase interim housing occupancy rates and maximize City investments in rehousing solutions, the LAHSA, in coordination with the City, should:</i>	
1	Develop needs-based eligibility criteria for non-congregate shelter beds to ensure private spaces are available to individuals that would benefit most from private spaces.
2	Examine the feasibility of developing new, trauma-informed bed solutions for congregate settings that would provide more privacy and comfort to clients.
3	Develop a formal policy for the administration of LAHSA catchments which ensures that mechanisms are in place to fill available beds in each catchment with individuals residing in other geographic zones.
4	Develop a formal policy for the reservation of interim housing beds by City offices which ensures mechanisms are in place to limit the risk of reserved beds going unfilled.
<i>To improve the ability of LASHA and the City to evaluate interim housing system performance and hold service providers accountable for poor performance, LAHSA, in coordination with the City, should:</i>	
5	Adopt/adhere to the federal government's Coordinated Entry System guidelines or another formal and consistent policy for the process of referring clients to City-funded interim housing facilities. Doing so would help the City maximize its investment in interim resources and ensure all open beds are available to individuals seeking shelter.
6	Establish new data quality control standards and monitoring procedures that ensure service providers accurately report bed capacity information. Monitoring procedures should include regular monitoring to the accuracy of bed capacity information to ensure occupancy rates are as accurate as possible when measuring system performance.

Number	Recommendation
7	Develop occupancy performance monitoring and oversight mechanisms to ensure underperforming service providers are promptly identified.
8	Develop a formal policy and procedure for the establishment of corrective action plans for service providers that fail to meet performance or requirements. The policy and procedure should require the development of corrective action goals and milestones, and management plans that describe performance improvement plans and assign responsibility.
9	Develop and incorporate into contracts a compensation model which incorporates performance-based compensation in order to incentivize adherence to performance targets, and provide the agency with tools to hold service providers accountable for weak performance.
<i>To maximize the number of permanent housing connections it can make, LAHSA, in coordination with the City, should:</i>	
10	Increase the number of housing navigators to expand the number of people staying in interim housing that are able to enroll in housing navigation services.
<i>To ensure the effective monitoring of service providers and increase the performance of the permanent housing placement system, LAHSA should:</i>	
11	Assess the feasibility of consolidating housing navigation services and interim housing services under a single contract to streamline the case management process and make the performance management and contract monitoring process easier to implement.
12	Clearly define the permanent housing placement responsibilities of interim housing operators and housing navigation service providers to make clearer which parties should be held accountable for permanent housing placement rates that are below expectations.
13	Define permanent housing placement rate goals and expectations for new programs during what LAHSA considers to be ramp-up periods. Performance goals should consider expected performance levels while a program is developing, and length of time it should take for providers to begin operating at full capacity.

Number	Recommendation
14	Develop formal monitoring and corrective action procedures for interim housing and housing navigation service providers that are failing to meet established performance goals.
15	Assess the feasibility of developing and incorporating into contracts a compensation model which incentivizes adherence to permanent housing placement rate targets.
16	Adopt permanent housing placement performance metrics that are not influenced by bed occupancy levels. Alternate metrics could include permanent housing placements achieved per bed maintained, or the total number of permanent housing placements against an established performance goal.
17	Establish key performance indicators and monitor outcomes for people after their Time Limited Subsidies expire, and for people permanently housed with subsidies other than Time Limited Subsidies, and individuals that obtain housing without government assistance, such as an apartment without subsidies or moving in with a family member or friend.

LAHSA RESPONSE



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December 6, 2024

Devang Panchal, Director of Auditing
Office of the Controller
City of Los Angeles
(213) 978-7388

Re: LA City Controller Evaluation of Los Angeles Homeless Services Permanent Housing – Pathways Draft Audit Report

Dear Devang Panchal:

The Los Angeles Homeless Services Authority (LAHSA) appreciates the opportunity to respond to the City Controller's recent evaluation issued on November 8, 2024, regarding LAHSA's approaches to permanent housing pathways. We value the insights provided in the audit and acknowledge the importance of refining our processes to better meet the needs of our community and align with the best practices.

This audit assessed LAHSA and the City's rehousing system, focusing on interim housing occupancy rates, cost efficiency, permanent housing placement effectiveness, and service provider oversight. The period covered by the audit coincided with a transformative phase for LAHSA, characterized by rapid organizational expansion and the dual challenges of implementing Measure H and responding to the COVID-19 pandemic. Please note that in LAHSA's response, we discuss the broader contextual dynamics and key factors that have a significant impact on the outcomes of homelessness interventions.

Organizational Growth and Transformation

1. **Measure H Implementation:** LAHSA transitioned from a pass-through grant administrator to a systems administrator, taking on expanded programmatic and direct service responsibilities.
2. **COVID-19 Pandemic Response:** From FY 2019–FY 2022, LAHSA reoriented its priorities to public health, focusing on life-saving interventions for unhoused individuals, particularly through initiatives like Project RoomKey (PRK).

COVID-19 Achievements and Public Health Investments

During the pandemic, LAHSA prioritized moving individuals indoors to reduce COVID-19 transmission, resulting in significant public health and housing outcomes:

1. **Project RoomKey (PRK):** Achieved 4,824 permanent housing placements between April 2020 and February 2023, significantly reducing COVID-19 cases and fatalities among participants.
2. **Expanded Shelter Capacity:** Over 10,000 additional shelter beds were added countywide since FY 2018–19.
3. **New Program Models:** The success of PRK informed the development of ongoing initiatives, including Project HomeKey, Inside Safe, and Pathway Home.

Post-Pandemic Strengthening of Financial Oversight

Since April 2023, LAHSA's new leadership has enhanced fiscal accountability and operational efficiency:

1. **Contract Execution:** Improved from 30% of contracts executed by the fiscal year's start in FY 2018–19 to over 80% in FY 2023–24 and FY 2024–25.

2. **Service Provider Payments:** A new advance payment model was introduced to address delays inherent in the cost-reimbursement system.
3. **Financial Accountability:** Terminated contracts with providers where financial irregularities were identified.

Key Housing Outcomes and Trends

1. **Reduction in Unsheltered Homelessness:** A 5.1% countywide decrease in unsheltered homelessness in 2024, coupled with a 12.7% increase in sheltered populations.
2. **Permanent Housing Placements:** Over 28,000 placements were made in 2023, bringing the new total to 110,000 placements since 2016.
3. **Increased Placement Efficiency:** Interim housing placements from street outreach grew by 47%, and permanent housing placements from interim housing increased by 25% between 2022 and 2023.
4. **Integrated Performance Management:** In July 2024, LASHSA implemented comprehensive monthly contract monitoring with service providers that examines KPIs, spend-down, and utilization.

Response to Draft Audit Recommendations

Of the seventeen (17) recommendations presented to LAHSA in the Draft Audit Report, LAHSA agreed with ten (10) recommendations, partially agreed with five (5) recommendations, and disagreed with two (2) recommendations, as outlined below:

To increase interim housing occupancy rates and maximize City investments in rehousing solutions, LAHSA, in coordination with the City, should:

- Recommendation 1: *Partially Agree*
- Recommendation 2: *Partially Agree*
- Recommendation 3: *Partially Agree*
- Recommendation 4: *Agree*

To improve the ability of LASHA and the City to evaluate interim housing system performance and hold service providers accountable for poor performance, LAHSA, in coordination with the city, should:

- Recommendation 5: *Partially Agree*
- Recommendation 6: *Agree*
- Recommendation 7: *Agree*
- Recommendation 8: *Agree*
- Recommendation 9: *Partially Agree*

To maximize the number of permanent housing connections it can make, LAHSA, in coordination with the city, should:

- Recommendation 10: *Agree*
- Recommendation 11: *Disagree*
 - By maintaining separate contracts, LAHSA has been able to maintain greater visibility into the operations of the Housing Navigation services, ensuring that specialized staff are

dedicated to fulfilling those functions. This separation also provides the flexibility to quickly reallocate resources as new shelters are brought online, even when the system's need for housing navigators has not fully aligned.

- Recommendation 12: *Agree*
 - Recommendation 13: *Agree*
 - Recommendation 14: *Agree*
 - Recommendation 15: *Agree*
 - Recommendation 16: *Partially Agree*
 - Recommendation 17: *Disagree*
- LAHSA tracks homelessness for Time-Limited Subsidy (TLS) recipients for two years post-subsidy, with data available on our dashboard. We also analyze returns to homelessness from other programs and are working to integrate this data into regular reports. However, we currently lack a standardized way to track those who are permanently housed with other subsidies or without assistance after they exit the system.

Conclusion

The ongoing partnership between LAHSA and the City of Los Angeles is essential to addressing homelessness in our community. We are committed to fostering transparency, innovation, and collaboration as we work toward shared goals. We welcome the opportunity to improve the rehousing system collaboratively and look forward to our continuous partnership in addressing homelessness.

If you have any questions or need further clarification on the attached response, please feel free to contact Dr. Holly Henderson, Director of Risk Management, at (213) 683-3334 or via email at hhenderson@lahsa.org.

Sincerely,



Dr. Va Lecia Adams Kellum
Chief Executive Officer

HH:MV



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December 6, 2024

Devang Panchal, Director of Auditing
Office of the Controller
City of Los Angeles
(213) 978-7388

SUBJECT: Re: LA City Controller Evaluation of Los Angeles Homeless Services Permanent Housing – Pathways Draft Audit Report

Dear Devang Panchal,

We would like to take this opportunity to express our sincere appreciation for the strong partnership between the Los Angeles Homeless Services Authority (LAHSA) and the Office of the Controller, City of Los Angeles. We highly value the continued collaboration and remain committed to advancing our shared goals of accountability, transparency, and continuous improvement in the efficiency of the rehousing system.

LAHSA acknowledges receipt of the DRAFT – Controller Audit of Shelter Bed Availability Data, issued by the Office of the Controller on November 8, 2024. This collaborative effort represents a crucial step forward in advancing our shared mission to address homelessness in the City of Los Angeles.

To increase interim housing occupancy rates and maximize City investments in rehousing solutions, LAHSA, in coordination with the City, should:

Recommendation 1: Develop needs-based eligibility criteria for non-congregate shelter beds to ensure private spaces are available to individuals that would benefit most from private spaces.

LAHSAs Response: Partially Agree

LAHSA acknowledges the importance of allocating private spaces in interim housing (IH) to individuals who will benefit most. Non-congregate shelter beds are essential for supporting individuals with specific needs and vulnerabilities. Currently, non-congregated units are prioritized for participants who require an individual living space due to factors such as physical health, mental health, safety concerns, or trauma.

Establishing needs-based eligibility criteria, rather than prioritization, could have a negative impact on the utilization of these resources by increasing barriers to access. Frequently, those individuals that we would prioritize for non-congregated resources are also individuals who are the most disconnected from systems of care and who would have the most difficulty providing verification of need. Thus, they would be the least likely to be able to access those resources.

Additionally, the IH system includes a variety of shelter options, including semi-congregate, non-congregate, and congregate spaces of varying sizes, designed to meet the diverse needs of participants. However, despite these efforts, the system currently lacks sufficient interim housing beds to accommodate the full demand of individuals seeking access to these vital services.

Recommendation 2: Examine the feasibility of developing new, trauma-informed bed solutions for congregate settings that would provide more privacy and comfort to clients.

LAHSAs Response: Partially Agree

LAHSA appreciates the recommendation to examine the feasibility of developing new, trauma-informed bed solutions for congregate settings to enhance privacy and comfort for clients. We fully recognize that trauma-informed care is essential for supporting individuals who have experienced trauma, and creating environments that foster privacy and dignity is a priority for us. The interim housing system includes a range of bed/unit models designed to meet the diverse needs of participants, including semi-congregate, non-congregate, and congregate sites.

However, the system currently faces a shortage of interim housing beds, which limits its ability to accommodate all individuals seeking assistance. As the system expands, LAHSA is committed to carefully considering the specific needs of participants, along with the availability of suitable sites and locations that can best serve the population.

To address these challenges, new congregate spaces are incorporating semi-private pod structures. These pods provide increased privacy by offering individual sleeping areas and dedicated storage spaces for personal belongings, ensuring that participants have a more secure and private environment.

LAHSA is committed to ensuring that our housing environments support the needs of individuals in a holistic, trauma-informed manner, and we look forward to exploring innovative solutions to achieve this goal.

Recommendation 3: Develop a formal policy for the administration of LAHSA catchments which ensures that mechanisms are in place to fill available beds in each catchment with individuals residing in other geographic zones.

LAHSAs Response: Partially Agree

LAHSA is committed to ensuring that participants are matched with interim housing beds that best meet their individual needs, considering region-based data on where they are experiencing homelessness. Typically, participants are matched with housing within their current catchment area, unless a safety concern prevents them from staying in that area. In cases where there are no eligible participants within a given catchment, beds may be offered to individuals from neighboring areas. However, due to the high demand for housing and the strong preference of many participants who want to still be in their home areas, this situation is relatively rare.

To further strengthen this process, LAHSA has developed a draft policy that outlines how participants will be connected to the most proper IH resources. The policy is currently under review by our City and County partners to ensure that all relevant feedback is incorporated before finalizing and implementing it.

Recommendation 4: Develop a formal policy for the reservation of interim housing beds by City offices which ensure mechanisms are in place to limit the risk of reserved beds going unfilled.

LAHSAs Response: Agree

Over a year ago, LAHSA expanded the scope of work with Bitfocus, the vendor for the Homeless Management Information System (HMIS), to develop a bed inventory database that will be accessible to all providers for input and data retrieval. The first phase of this database went live in early 2024, with the final phase scheduled to be fully operational by January 2025. Data entry into both the bed inventory database and HMIS is mandatory, with routine check-ins conducted by LAHSA to ensure compliance.

The bed inventory module will enable real-time tracking and monitoring of occupied, available, and offline beds, significantly enhancing LAHSA's ability to match individuals with available beds. This system will also support more effective monitoring of bed utilization, ensuring that resources are allocated efficiently.

LAHSA acknowledges the importance of having a consistent citywide policy on the potential reservation of beds by City offices or departments. We welcome further discussions with the City to establish such a policy in a transparent manner that follows Fair Housing laws while minimizing any negative impact on access to beds for individuals already in the queue.

Recommendation 5: Adopt/adhere to the federal government's Coordinated Entry System guidelines or another formal and consistent policy for the process of referring clients to City-funded interim housing facilities. Doing so would help the city maximize its investment in interim resources and ensure all open beds are available to individuals seeking shelter.

LAHSAs Response: Partially Agree

LAHSA currently uses the Coordinated Entry System (CES) for matching participants to available resources, using the Homeless Management Information System (HMIS) along with the CES queue. For IH placements, we match participants directly into IH beds based on their needs, which are tracked in HMIS. The matching

process also considers the geographic location where participants are experiencing homelessness to ensure they are connected to the most appropriate IH resource. While our approach is structured to address participant needs, we understand that each individual may have unique challenges, barriers, and abilities. As a result, we are committed to maintaining flexibility in our matching process and avoiding a one-size-fits-all approach.

In addition, we are actively working to take our IH placement policies to the CES Policy Council for further review and discussion. This will allow us to refine our processes, ensure they are aligned with best practices, and ensure that we continue to adapt to the evolving needs of those we serve.

Recommendation 6: Establish new data quality control standards and monitoring procedures that ensure service providers accurately report bed capacity information. Monitoring procedures should include regular monitoring of the accuracy of bed capacity information to ensure occupancy rates are as accurate as possible when measuring system performance.

LAHSAs Response: Agree

LAHSA appreciates its recommendation to establish new data quality control standards and monitoring procedures to ensure service providers accurately report bed capacity information. In response, LAHSA has been actively developing the Inventory Module in the Homeless Management Information System (HMIS) for the past year. This new module provides LAHSA, providers, and other stakeholders with the ability to track interim housing assignments and vacancies in real time, which will enhance the accuracy of occupancy data.

The Interim Housing (IH) Inventory Module includes key features that directly address data accuracy and monitoring:

- Real-time tracking of sites, buildings, units, and beds, which allows for up-to-date information on bed availability and occupancy.
- Automatic updates to occupancy data, reducing the need for manual reporting by providers and minimizing the risk of inaccurate data entry.
- A filterable dashboard that displays current unit/bed availability, enabling providers to track occupancy in real time and adjust as needed.
- The ability for providers to take units offline for maintenance or repairs, ensuring that only unoccupied units are counted in occupancy reports.

These features significantly improve the ability to track and monitor bed capacity, making it easier to identify discrepancies and ensure that occupancy data reflects the actual availability of beds.

To further ensure data accuracy and adherence to quality control standards, the Grants Management and Compliance (GMC) has currently implemented the following:

- Monthly meetings are conducted with service providers to review Key Performance Indicators (KPIs) related to bed occupancy and data accuracy. These meetings focus on identifying challenges and offering solutions to improve data reporting.

- Provided a platform for service providers to receive technical assistance and policy guidance, ensuring that they have the resources needed to keep accurate bed capacity records.
- Ongoing collaboration with LAHSA's other departments to provide ongoing support, monitor compliance, and address any issues related to bed assignment and occupancy reporting.

These efforts have helped ensure that service providers consistently report accurate bed capacity information, and that the data LAHSA uses to measure system performance is as precise as possible. The collaboration between GMC, service providers, and other departments will support continuous improvement in data quality, ultimately enhancing the efficiency and transparency of the interim housing system.

Recommendation 7: Develop occupancy performance monitoring and oversight mechanisms to ensure underperforming service providers are promptly identified.

LAHSAs Response: Agree

To improve understanding of KPIs and ensure compliance with LAHSA's data integrity standards, the GMC team has implemented robust mechanisms for occupancy performance monitoring and oversight. These efforts include structured training, technical assistance, and resource distribution to equip service providers with the necessary tools and knowledge.

As part of the FY 25-26 annual monitoring reviews, the Compliance team will evaluate FY 24-25 KPI performance as a baseline. This marks a shift from active contract reviews to closed contract reviews for service providers selected for onsite or desk monitoring. The focus will be on assessing prior-year KPIs, providing a clear performance status without penalizing providers for goals that can still be achieved.

While the Compliance team evaluates goal achievement during annual reviews, the Grants Management team conducts ongoing KPI reviews throughout the contract period. This proactive approach identifies underperforming KPIs early, enabling timely interventions and support to address gaps and promote progress toward performance targets.

The Active Contract Management (ACM) performance management approach operates on a monthly cycle to support effective, responsible, and sustainable housing outcomes using data analytics within the Los Angeles County homeless system. ACM comprises four key components:

1. **Monthly Dashboard Analysis**
2. **ACM Interdepartmental Meetings**
3. **Individual Service Provider Meetings**
4. **Post-Meeting Performance Improvement Plans**

Each part drives action-oriented technical assistance for programs not meeting contractual outcomes. The iterative ACM process adjusts based on the results of implemented interventions, with the goal of supporting successful contract performance.

Monthly provider engagement meetings between LAHSA and service providers review contract performance during the active period. These meetings address concerns, review the prior month's performance, and integrate performance management evaluations as a standing agenda item.

Underperforming programs and contracts are identified, scored, documented, and discussed monthly with service providers. Once an action plan is implemented, performance is reassessed in subsequent months to evaluate whether technical assistance, guidance, and coaching interventions lead to sustained performance improvements.

Recommendation 8: Develop a formal policy and procedure for the establishment of corrective action plans for service providers that fail to meet performance or requirements. The policy and procedure should require the development of corrective action goals and milestones, the management plans that describe performance improvement plans that assign responsibility.

LAHSAs Response: Agree

LAHSA is committed to ensuring that service providers meet performance expectations and compliance requirements. In response to the audit recommendation, the Grants Management and Compliance (GMC) team is currently developing formal policies and procedures to guide the process for establishing Corrective Action Plans (CAPs) when service providers fail to meet performance standards or compliance requirements.

This policy will outline the following key components:

1. **Identification of Underperformance:** CAPs will be triggered through ongoing Key Performance Indicator (KPI) monitoring, routine audits, and annual reviews of provider performance. This will ensure that underperformance is identified early, and corrective measures can be put in place promptly.
2. **Formal Notifications:** The policy will detail the steps for issuing formal notifications to service providers when they do not meet established expectations or requirements. This ensures transparency and provides a clear understanding of the areas of concern.
3. **Corrective Action Goals and Milestones:** The policy will require the development of specific corrective action goals and milestones, with measurable outcomes and timelines. These goals will be tailored to address the specific deficiencies identified in the performance review.
4. **Assigning Responsibilities:** Each CAP will include a clear management plan that assigns responsibility to both LAHSA staff and service providers for implementing and monitoring the corrective actions. This ensures accountability and a clear division of responsibilities.
5. **Support and Monitoring:** LAHSA will provide structured support to service providers, including targeted technical assistance and training to help providers meet the goals in their CAPs. Regular progress reviews will be conducted to assess improvements and ensure ongoing compliance.
6. **Follow-up and Documentation:** A formal system will be put in place to track the progress of each CAP, including documenting all steps taken and results achieved. This will ensure that

corrective actions are completed within the defined timelines and will provide a clear record of any issues and resolutions for accountability purposes.

LAHSA is currently working on enhancing our current policy to ensure a standardized approach to managing performance issues with service providers, fostering greater accountability, transparency, and performance improvement. This process will ultimately help enhance the quality and effectiveness of services provided to those experiencing homelessness.

Recommendation 9: Develop and incorporate into contracts a compensation model which incorporates performance-based compensation in order to incentivize adherence to performance targets and provide the agency with tools to hold service providers accountable for weak performance.

LAHSAs Response: Partially Agree

LAHSA acknowledges the recommendation to develop and incorporate a performance-based compensation model into contracts to incentivize service providers to meet performance targets and improve outcomes. While LAHSA actively collects data from providers to evaluate performance, the current funding model for interim housing programs primarily relies on a bed-rate structure that covers a range of essential services, including staffing, food security, and basic needs, but does not currently incorporate performance-based incentives. Most costs to operate an interim housing program are fixed costs needed to support the safety and security of the project and its participants. Thus, we use performance in determining whether a provider should continue to operate a program, but not the level of funding for the program.

To date, there has been insufficient data to demonstrate a direct correlation between performance-based incentives and improved outcomes, such as permanent housing placements.

Successful permanent housing placements are influenced by multiple factors, including the availability of housing inventory, which is often beyond the control of providers.

LAHSA will be working on the following:

1. **Exploring Performance-Based Compensation Models:** LAHSA recognizes the value of incentivizing providers to meet performance targets and will begin exploring ways to incorporate performance-based compensation into contracts. We are open to engaging in discussions with the city and other stakeholders to design a model that aligns incentives with performance goals, while considering the complexities of service delivery and external factors that may affect outcomes.
2. **Addressing Data Gaps:** LAHSA acknowledges the existing gap in data correlating performance incentives with housing placements. We will expand our data collection efforts to better track performance metrics and assess the impact of potential incentives. We will work with service providers to ensure that data on permanent housing placements and other relevant outcomes is consistently captured and used to inform decision-making.

3. **Master Leasing Program:** LAHSA will continue to address gaps in the housing inventory through the Master Leasing program, which aims to increase the availability of housing for individuals transitioning from interim housing. This program is a critical part of our strategy to improve permanent housing placement rates and will complement any future performance-based compensation initiatives.
4. **Ongoing Conversations with the City:** LAHSA welcomes continued dialogue with the city to explore innovative approaches to performance-based compensation. We are committed to ensuring that any future models consider the realities of homelessness services, provider capacity, and external constraints on housing availability, while holding providers accountable for meeting performance targets.

LAHSA is committed to improving performance management across the interim housing system. While performance-based compensation is not currently a part of the funding structure, we are actively exploring opportunities to implement such models in a way that is effective, fair, and aligned with overall goals for permanent housing placement and client outcomes.

Recommendation 10: Increase the number of housing navigators to expand the number of people staying in interim housing that are able to enroll in housing navigation services.

LAHSAs Response: Agree

LAHSA agrees with the recommendation to increase the number of housing navigators to expand access to housing navigation services for individuals in interim housing. LAHSA has consistently advocated for increased funding for housing navigation over the past several years. Specifically, LAHSA requested significant increases in both the FY23-24 and FY24-25 City budget proposals to directly expand housing navigation services.

For the current fiscal year, LAHSA requested an increase of \$1.8 million (from \$1 million) to housing navigation slots from 172 to 300. Unfortunately, the city did not approve of this increase, supporting the same funding level as in FY23-24. Additionally, due to an increase in the housing navigation slot rate to support competitive salaries for housing navigation staff, the total number of city-funded housing navigation slots was reduced to 132.

LAHSA will continue to work on the following:

1. **Ongoing Advocacy for Increased Funding:** LAHSA will continue advocating for increased funding for housing navigation services in future budget proposals. Recognizing the critical role housing navigators play in helping individuals transition from interim housing to permanent housing, LAHSA is committed to securing the necessary resources to expand these services.
2. **Exploring Alternative Strategies:** In the absence of the requested funding increase, LAHSA is working with service providers to find innovative approaches to increase housing navigator capacity. This may include exploring partnerships, using existing resources more efficiently, or piloting new service delivery models to maximize the impact of available housing navigators. Additionally, LAHSA has worked with the city to shift some of its outreach workers to a new role

as System Navigators. These staff have been integral in assisting providers struggling with capacity due to staffing challenges or during start-up of new programs by filling the gaps through technical assistance and by directly providing services like Housing Navigation.

3. **Optimizing Existing Housing Navigation Services:** LAHSA will continue to monitor the effectiveness of the current number of housing navigation slots and seek opportunities to improve the efficiency and reach of existing services, ensuring that as many individuals as possible benefit from housing navigation support within the existing capacity.

While funding limitations have affected the expansion of housing navigation services, LAHSA is still committed to increasing the number of housing navigators and will continue advocating for the necessary resources. In the meantime, LAHSA is exploring all available options to optimize and increase housing navigation services to better support individuals in interim housing as they transition to permanent housing.

Recommendation 11: Assess the feasibility of consolidating housing navigation services and interim housing services under a single contract to streamline the case management process and make the performance management and contract monitoring process easier to implement.

LAHSAs Response: Disagree

LAHSA has historically contracted housing navigation services separately from interim housing for two primary reasons:

1. **Funding Sources:** Housing navigation services have been funded primarily through Measure H funds, while interim housing contracts are funded primarily by the City. This funding distinction makes it challenging to consolidate these services under a single contract. Under the current funding, there are not enough housing navigation slots to be tied to each Interim Housing bed.
2. **Distinct Functions:** The functions of housing navigation and case management in interim housing settings are distinctly different. Housing Navigators operate in the field, providing flexible mobile services to clients. In contrast, case management in interim housing is typically site-based and more focused on immediate needs and stabilization. Maintaining separate contracts for these services ensures that each service can be tailored to the specific needs of the participants.

By maintaining separate contracts, LAHSA has been able to maintain greater visibility into the operations of the Housing Navigation services, ensuring that specialized staff are dedicated to fulfilling those functions. This separation also provides the flexibility to quickly reallocate resources as new shelters are brought online, even when the system's need for housing navigators has not fully aligned. LAHSA is open to the possibility of fully integrating Housing Navigation into Interim Housing, provided our funders are willing to allocate the additional resources necessary to sustain these services effectively. We welcome any feedback from the city.

Recommendation 12: Clearly define the permanent housing placement responsibilities of interim housing operators and housing navigation service providers to make clearer which parties should be held accountable for permanent housing placement rates that are below expectations.

LAHSAs Response: Agree

LAHSA recognizes the importance of clearly defining the responsibilities of both interim housing providers and housing navigation service providers concerning permanent housing placements.

1. **Interim Housing Providers:** Providers are responsible for ensuring that participants are document-ready by obtaining necessary documentation (e.g., ID and Social Security Cards), completing comprehensive assessments, submitting Universal Housing Applications, meeting permanent housing placements, and limiting participant exits to the street. By meeting these requirements, providers help participants transition smoothly to permanent housing.
2. **Housing Navigation Providers:** Housing navigators are responsible for directly assisting participants in securing permanent housing by identifying housing opportunities, supporting the application process, and ensuring a successful move-in.

Recommendation 13: Define permanent housing placement rate goals and expectations for innovative programs during what LAHSA considers to be ramp-up periods. Performance goals should consider expected performance levels while a program is developing, and the length of time it should take for providers to begin operating at full capacity.

LAHSAs Response: Agree

LAHSA agrees with the recommendation to set up clear goals and expectations for permanent housing placement rates during the ramp-up periods of new programs. Below are the KPIs and proposed strategies for enhancing Interim Housing (IH) performance and IH to Permanent Housing (PH) throughput:

KPIs for Interim Housing (IH):

- **Occupancy Rate Targets:** Maintain consistent occupancy levels to optimize resource utilizations.
- **Average Length of Stay Benchmarks:** Reduce time spent in IH without compromising quality outcomes.
- **Exit Outcomes:** Focus on increasing successful exits to PH.
- **Retention Rates for PH Placements:** Track long-term housing stability post-placement.

System KPI Goals for IH to PH Throughput:

- **Transition Rate to PH:** Increase the percentage of IH participants moved to PH within defined timeframes.
- **Reduction in Returns to Homelessness:** Minimize the rate of participants returning to homelessness after PH placement.

As part of LAHSAs strategic approach LAHSA is working on the following:

1. **Set Ramp-Up Period Benchmarks:** Establish temporary performance goals for new programs focusing on document readiness, UHA completion, and assessments tied to long-term housing placements.
2. **Provide Training and Technical Assistance:** Offer targeted support to help new providers meet incremental performance goals during ramp-up.
3. **Ensure Accountability and Support:** Monitor progress regularly, addressing challenges with added training and adjustments to expectations as needed.

By aligning ramp-up expectations with defined benchmarks and strengthening ASM practices, LAHSA aims to ensure both immediate progress and long-term success in achieving IH and PH throughput goals.

Recommendation 14: Develop formal monitoring and corrective action procedures for interim housing and housing navigation service providers that are failing to meet established performance goals.

LAHSAs Response: Agree

LAHSA has formalized a comprehensive Active Contract Management (ACM) approach to performance management, which includes regular monitoring of KPIs and grant expenditure milestones. Service Providers are held accountable through structured conversations and action-oriented technical assistance.

If a Service Provider does not meet established goals, Performance Improvement Plans (PIPs) are developed. The PIP outlines corrective actions to improve performance including specific goals, milestones, and timelines. These plans are implemented iteratively, with regular check-ins to monitor progress. If performance does not improve after a PIP is in place, the service provider may be considered non-compliant.

Monitoring and Corrective Action Process:

1. **Identification of Underperformance:** Underperformance is identified by failure to meet contractual KPIs, or grant expenditure milestones. Monthly performance reviews track provider progress. If issues persist, corrective actions are initiated.
2. **Performance Improvement Plan (PIP):** When a provider underperforms, LAHSA develops a PIP specifying the areas of concern, corrective actions, and expected outcomes with a timeline (typically 90 days) to assess the effectiveness of the intervention, with the possibility of extending this timeline based on the complexity of the issues.
3. **Categorization of Non-Compliance:** Non-compliance is categorized as:
 - a. Low risk: Minor issues requiring short-term corrective actions.
 - b. Moderate risk: Persistent underperformance needing more intensive intervention or resources.
 - c. High-risk: Significant performance failures, potentially leading to contract termination or other severe consequences.
4. **Accountability:** The Grant Specialist monitors the implementation of the PIP and ensures the provider meets established performance goals. Monthly assessments will determine if progress

has been made. If improvements are not made within the stipulated timeline, further corrective actions will be considered, including potential contract revisions or terminations.

5. **Continuous Improvement:** LAHSA's corrective action procedures are designed to support providers with technical assistance and resources, ensuring that performance standards are met in a timely and effective manner.

Recommendation 15: Assess the feasibility of developing and incorporating into contracts a compensation model which incentivizes adherence to permanent housing placement rate targets.

LAHSAs Response: Agree

LAHSA collects data from providers to evaluate the performance of interim housing programs. However, the current funding model for these programs is primarily a bed-rate model, which encompasses not just bed capacity but also services, staffing, food security, and other essential needs. There is no clear data yet showing a direct correlation between performance-based incentives and increased permanent housing placements.

We recognize that permanent housing placements are affected by several factors, including the availability of housing units, and that a performance-based compensation model may need to consider these complexities. We have not yet implemented such a model for permanent housing placement rates.

However, LAHSA acknowledges the importance of incentivizing performance in achieving permanent housing placements and will explore the feasibility of incorporating a performance-based compensation model. This will involve:

- Reviewing current performance metrics and outcomes to identify areas where incentives might be effectively applied.
- Conducting research or engaging with stakeholders to understand the potential impacts of such a model, including assessing its feasibility and considering external factors like housing inventory.
- Examining best practices from similar programs to determine if incentives can be tied to permanent housing placements and whether they are feasible within LAHSA's existing framework.

Additionally, LAHSA is committed to addressing housing gaps through initiatives like the Master Leasing program, which aims to expand housing options and could, over time, increase the availability of permanent housing for program participants. This program may complement future efforts to explore incentive-based models by increasing the housing stock available for placements.

We are open to discussions with the City to explore the development of such a model and will continue to evaluate the potential for its incorporation into our contracts.

Recommendation 16: Adopt permanent housing placement performance metrics that are not influenced by bed occupancy levels. Alternate metrics could include permanent housing placements achieved per bed maintained, or the total number of permanent housing placements against an established

LAHSAs Response: Partially Agree

LAHSA has already revised the Key Performance Indicators (KPIs) for Interim Housing for Quarter 2, to include KPIs focused on throughput from interim housing to permanent housing. LAHSA is currently adapting FY 25-26 KPIs, with a focus on ensuring that Interim Housing programs effectively support participants in achieving permanent housing and reducing exits to the street. The updated KPIs prioritize key activities such as document readiness, vulnerability assessments, timely referrals to Housing Navigation, and the completion of Universal Housing Applications (UHAs). These changes are designed to improve program performance and increase the likelihood of successful housing outcomes for participants.

As part of the re-procurement process, LAHSA is collaborating with the City and County to standardize the program model for single adult interim housing across all funding sources. This alignment will ensure consistent baseline expectations for providers, regardless of the funding source, providing clearer guidelines and streamlining oversight for LAHSA.

Also, with the upcoming rollout of the Bed Inventory Module, LAHSA will manage and track bed availability in real time. The module will help up manage changes in bed availability due to temporary offline status (e.g., for repairs or quarantine). This will address challenges faced during the COVID-19 pandemic and ensure more exact and consistent tracking of available beds going forward.

Additionally, LAHSA is introducing a new KPI focused on maintaining bed occupancy. By clearly defining bed occupancy expectations and aligning them with the activities mentioned above, we will create a more cohesive and measurable framework. This will make the path to permanent housing clearer and more tangible for both participants and providers.

Through these adjustments and enhancements, LAHSA aims to improve the effectiveness and efficiency of Interim Housing programs, ensuring better outcomes for participants and greater accountability for providers.

Recommendation 17: Establish key performance indicators and monitor outcomes for people after their Time Limited Subsidies expire, and for people permanently housed with subsidies other than Time Limited Subsidies, and individuals that obtain housing without government assistance, such as an apartment without subsidies or moving in with a family member or friend.

LAHSAs Response: Disagree

LAHSA currently tracks returns to homelessness for participants who have received Time-Limited Subsidies (TLS) for up to two years after the subsidy expires. This data is publicly available through our dashboard (<https://www.lahsa.org/data-refresh/home/datadashboard?id=56>).

LAHSA cannot track housing stability or outcomes for individuals permanently housed with non-TLS subsidies or without government assistance (e.g., private rentals or living with family) as they are no longer enrolled in HMIS programs. The only measure is whether they return to the homelessness system

for assistance. To address this, LAHSA has conducted ad-hoc analyses on returns to homelessness and is working to incorporate these findings into regular reporting metrics to improve system-wide outcome monitoring

Conclusion

LAHSA values the partnership with the Los Angeles City Controller in the work to end homelessness and looks forward to future engagements on refining and improving these efforts. If you or your staff have any questions or require additional information, please feel free to contact Dr. Holly, Director of Risk Management, at 213-683-3334 or via email at henderson@lahsa.org.

Thank you for your attention to this matter, and we look forward to our ongoing partnership.

Sincerely,



Dr. Va Lecia Adams Kellum
Chief Executive Officer

HH:MV

AUDITOR COMMENTS ON LAHSA'S RESPONSE

Of the 17 recommendations contained in this report, LAHSA *agreed* with 9 recommendations, *partially agreed* with 6 recommendations and *disagreed* with 2 recommendations. We strongly encourage LAHSA to implement the recommendations it *disagrees* with.

Recommendation 11: Assess the feasibility of consolidating housing navigation services and interim housing services under a single contract to streamline the case management process and make the performance management and contract monitoring process easier to implement.

LAHSA Response: Disagree

Auditor Comment: Transitioning a client from an interim housing setting to a permanent housing setting is a shared responsibility between the service provider responsible for operating an interim housing site, and the service provider responsible for housing navigation case management. We found that interim housing service providers were typically subject to more defined permanent housing placement goals, while housing navigation service providers were not. We acknowledge that there may be funding and operational reasons to keep these functions independent. However consolidating these services to the greatest extent possible, and clarifying provider roles and responsibilities to eliminate ambiguity, would allow LAHSA to establish clear permanent housing placement goals for the rehousing system and hold service providers accountable for interim housing to permanent housing throughput.

Recommendation 17: Establish key performance indicators and monitor outcomes for people after their Time Limited Subsidies expire, and for people permanently housed with subsidies other than Time Limited Subsidies, and individuals that obtain housing without government assistance, such as an apartment without subsidies or moving in with a family member or friend.

LAHSA Response: Disagree

Auditor Comment: A better understanding of the permanent housing destination types which yield the best long-term outcomes (i.e., housing permanency) would assist LAHSA and its funders in making determinations regarding permanent housing solutions and investments. LAHSA's system for evaluating TLS participant outcomes is generally limited to tracking participant outcomes during the life of their 24-month subsidy. Furthermore, although tracking returns to homelessness for individuals permanently housed without the use of TLS subsidies may present challenges because they are no

longer enrolled in an HMIS program, LAHSA's efforts to conduct ad-hoc analysis on returns to homelessness are a positive step. LAHSA's plans to incorporate ad-hoc analysis findings into regular reporting metrics may satisfy the intent of this recommendation, and we encourage LAHSA to continue to make improvements to its systems for outcome monitoring.

We also encourage LAHSA to fully implement the recommendations it *partially agrees* with, and take steps to satisfy the intent of those recommendations and address the associated program management issues. The Audit Services Division appreciates LAHSA staff's collaboration and support during this review, and looks forward to working with LAHSA to monitor the implementation of recommendations contained in the report.

APPENDIX A – PERMANENT HOUSING PLACEMENT DESTINATIONS FY 2019–FY 2023

Permanent Housing Destination	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Total
Permanent Housing	852	939	642	486	748	3,667
Percentage of Total Placements	31%	31%	17%	17%	22%	23%
Rental by client, no ongoing housing subsidy	66%	63%	54%	43%	40%	55%
Staying or living with family, permanent tenure	27%	28%	37%	45%	48%	36%
Staying or living with friends, permanent tenure	6%	6%	8%	11%	11%	8%
Owned by client, no ongoing housing subsidy	1%	3%	2%	1%	1%	2%
Permanent Supportive Housing	331	302	635	371	459	2,098
Percentage of Total Placements	12%	10%	17%	13%	14%	13%
Permanent Housing – Time Limited Subsidies	929	1,069	1,808	1,276	1,022	6,104
Percentage of Total Placements	34%	35%	47%	45%	30%	39%
Permanent Housing – Other Subsidies	658	715	740	712	1,124	3,949
Percentage of Total Placements	24%	24%	19%	25%	34%	25%
Rental by client, with other ongoing housing subsidy	83%	72%	63%	47%	50%	61%
Rental by client, with HUD Housing Choice voucher	1%	17%	19%	34%	38%	24%
Rental by client in a public housing unit	0%	6%	11%	14%	8%	8%
Rental by client, with VA Supportive Housing subsidy	16%	1%	3%	3%	1%	4%
Owned by client, with ongoing housing subsidy	1%	2%	4%	3%	3%	3%
Rental by client, with VA Grant and Per Diem Housing subsidy	0%	1%	0%	0%	0%	0%
Total PH Placements	2,770	3,025	3,825	2,845	3,353	15,818
Percentage of Participants Served Placed in Permanent Housing	20%	17%	20%	14%	15%	17%
Participants Served	14,106	18,001	19,015	19,985	22,634	93,741

Source: Controller analysis of data generated by LAHSA



AUDIT SERVICES DIVISION

The Office of the Controller was created by the Los Angeles City Charter as an independent office, and is headed by the Controller: the elected auditor, paymaster, and chief accounting officer for the City of Los Angeles. Under the Controller's leadership, the Office's Audit Services Division performs audits, investigations, and other oversight functions to help provide transparency, accountability, and improve City services for all Angelenos.

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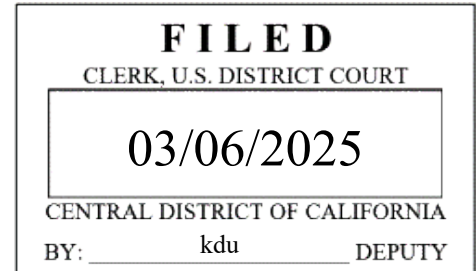
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Copies of our audit reports are available at <https://controller.lacity.gov/audits>

Exhibit G



UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

LA ALLIANCE FOR HUMAN RIGHTS,
et al.,

Plaintiffs,

v.

CITY OF LOS ANGELES, et al.,

Defendants.

Case No. CV 20-02291 DOC (KES)

SECOND AMENDED
DRAFT OF THE ALVAREZ AND
MARSAL (A&M) ASSESSMENT
OF LOS ANGELES CITY
HOMELESSNESS PROGRAMS

Hon. David O. Carter
United States District Judge



**Draft & Preliminary
For Discussion Purposes Only
Work Product Prepared at the
Direction of Hon. David O. Carter**

Independent Assessment of City-Funded Homelessness Assistance Programs

Financial and Performance Assessment Report of the Roadmap Program
- Freeway Agreement, Alliance Program, and Inside Safe Program

CASE NO. 2:20-CV-02291-DOC-KES

SUBMITTED TO:

Judge David O. Carter
California Central District Court
411 West Fourth Street, Courtroom 10A
Santa Ana, CA 92701

SUBMITTED BY:

Diane Rafferty
Alvarez & Marsal Public Sector Services, LLC
6060 Center Drive, Suite 950
Los Angeles, CA 90045

March 6, 2025

Hon. David O. Carter
United States District Court
Central District of California
411 West Fourth Street, Courtroom 10A
Santa Ana, CA 92701

Dear Judge Carter:

On behalf of A&M, I am pleased to submit the enclosed report, *Independent Assessment of City-Funded Homelessness Assistance Programs*, to the Court. In accordance with our engagement letter dated May 17, 2024, its subsequent amendment to include the Los Angeles Police Department on September 25, 2024, and our engagement letter with the County of Los Angeles approved on January 7, 2025, this report presents our assessment of the City of Los Angeles' homelessness assistance programs: Roadmap Program – Freeway Agreement, Alliance Settlement Program, and Inside Safe. It has been a privilege to conduct this engagement for the Court, the City and County of Los Angeles; and I want to extend my deepest gratitude for the opportunity.

Our objective, throughout this assessment, has been to provide an impartial and data-driven analysis, supported by relevant documentation and firsthand observations. We aimed to furnish the Court with a clear, factual basis for understanding the issues presented and endeavored to maintain a balanced perspective throughout this review.

I appreciate the courtesy and cooperation extended to us by the Court, including Special Master Michele Martinez and all participating stakeholders. Should you have any questions or wish to discuss any aspect of this report further, please feel free to contact me at my email (drafferty@alvarezandmarsal.com). We remain available to clarify any details or provide additional assistance as needed.

Thank you for entrusting us with this important matter.

Sincerely,

Alvarez & Marsal Public Sector Services, LLC

By: 
Name: Diane Rafferty
Title: Managing Director

Executive Summary

Purpose and Scope of the Assessment

Alvarez & Marsal (“A&M”) was retained to perform an independent financial and performance assessment by the Honorable David O. Carter, United States District Judge for the Central District of California (“the Court”) on May 17, 2024. A subsequent amendment on September 25, 2024 included the Los Angeles Police Department, and an engagement letter with the County of Los Angeles (“the County”) was approved on January 7, 2025. The primary intent of this financial and performance assessment was to examine the appropriation and expenditure of funds through the City of Los Angeles (“the City”) under the Roadmap Program – Freeway Agreement (“Roadmap Program”), Alliance Settlement Program (“Alliance Program”), and Inside Safe Program (collectively, the “City Programs”) from June 1, 2020, through June 30, 2024 (“Lookback Period”). It further evaluated whether these monetary resources effectively supported individuals experiencing homelessness in achieving improved outcomes and housing stability.

By tracing the flow of funds, evaluating the services offered by the City Programs, and analyzing reported results and data, the assessment aimed to provide an objective perspective on the alignment of financial decisions with service delivery outcomes. The assessment was intended to provide stakeholders with a clear understanding of the City Programs’ overall impact and identify opportunities to enhance efficiency and effectiveness in addressing homelessness in the City.

A&M and the Court agreed that A&M's work would not constitute a formal review or audit in accordance with any applicable accounting standards. The Court also understands that A&M is not a public accounting firm or CPA firm and does not issue opinions on financial statements or provide audit or other attestation services. While A&M’s work may include an analysis of financial accounting data, the Court acknowledges that A&M’s engagement is an assessment and shall not constitute an examination, review of any kind, compilation or compilation of agreed-upon procedures as defined by the AICPA, or any other type of financial statement reporting engagement that is subject to the rules of the AICPA, GASB or other state or national professional or regulatory body.

Acknowledgments

This report reflects a significant effort made possible by the collaboration and support of numerous individuals, organizations, and key stakeholders from the City, the County, and Los Angeles Homeless Services Authority (“LAHSA”). Over 90 interviews were conducted with stakeholders, subject-matter experts, and front-line staff. A&M reviewed more than 11,500 documents and carried out approximately 30 site visits to gain firsthand insight into the City Programs. Multiple meetings were also held with Judge Carter, Special Master Jay Gandhi, and Special Master Michele Martinez, whose guidance and accessibility proved invaluable to this financial and performance assessment.

The A&M team was comprised of over ten professionals and executives from the firm, each contributing their expertise to every phase of the engagement. We extend our gratitude to the key stakeholders, who generously shared their time, knowledge, and expertise. This report stands as a testament to the collaborative efforts, dedication, and collective engagement of everyone involved in assessing the homelessness assistance services provided in the City and the County under the City Programs.

Key Findings: Financial and Performance Overview of City Programs

Poor Data Quality and Integration: Repetitive information gaps, coupled with a lack of accurate and complete data and documentation, posed significant obstacles to this assessment. Insufficient financial accountability led to an inability to trace substantial funds allocated to the City Programs. Fragmented data systems across LAHSA, the City, and the County and inconsistent reporting formats made it challenging to verify spending and the number of beds or units reported by the City and LAHSA, track participant outcomes, and align financial data with performance metrics. The lack of uniform data standards and real-time oversight increased the risk of resource misallocation and limited the ability to assess the true impact of homelessness assistance services.

During this assessment, it became apparent to A&M that key stakeholders did not monitor or regard the City Programs in the same manner as the Court, particularly with respect to the Roadmap and Alliance Programs. This misalignment created confusion when inquiries arose about topics such as the amount of funding appropriated and spent on a City Program. For example, LAHSA was unable to identify all relevant service provider contracts and expenses under the Roadmap Program, leading to inconsistencies between the contracts linked to the Roadmap Program within LAHSA's accounting data and service provider contracts identified in response to other data requests. This discrepancy created confusion over which service provider agreements were in effect and funded under the City Program. Such gaps in documentation complicated efforts to track expenditures comprehensively, highlighting the need for more accurate recordkeeping within LAHSA's financial and performance oversight processes. Without a unified understanding of the scope, it proved challenging for all parties to determine the costs per bed, reconcile reported data, track expenses across the various funding sources and multiple funders, and respond accurately and timely to requests for information.

Quantification of Funding for City Programs: A&M identified approximately \$2.3 billion of funding, including appropriations, commitments, or spending, related to the City Programs across the Lookback Period. This amount includes capital costs for the creation of interim housing and permanent supportive housing beds, rent or lease expenses for interim housing beds, funding for time-limited subsidies, and supportive service expenses passed through LAHSA. See Appendix A.

As discussed in detail throughout this report, due to the manner in which the City recorded expenditures for homelessness assistance services, A&M was unable to completely quantify the total amount spent by the City for each component of the City Programs using the data provided. Multiple funding sources and allocations across various City departments resulted in fragmented accounting records. A&M identified that the City and LAHSA did not initially provide all requested financial data, prompting A&M to make multiple efforts to identify, trace, and reconcile relevant data as it was produced to A&M. Further, A&M relied on the financial data produced by the City and LAHSA, as A&M did not have direct access to the financial information systems. Therefore, since the City and LAHSA were unable to identify and calculate the relevant expenses for all City Programs, A&M was

unable to quantify the total amount of money spent to establish the beds and provide associated supportive services.

Disjointed Continuum-of-Care System: Multiple siloed referral processes and disparate data systems, along with differing prioritization and matching processes to connect people experiencing homelessness to services, impeded the establishment of a uniform coordinated entry system. This fractured system contributed to potential inequities in resource allocation and a lack of transparency in the prioritization of unsheltered individuals experiencing homelessness for various shelter and housing interventions and supportive services.

With respect to interim housing, LAHSA, the City, and the County implemented incongruent prioritization and matching pathways for interim housing enrollments. For example, LAHSA acknowledged that it lacked a standardized prioritization policy during the Lookback Period. This variation caused confusion among stakeholders, including service providers, and increased the risk of inequitable and inefficient resource allocation, potentially delaying timely shelter and housing placements.

Limited Financial Oversight and Performance Monitoring: Invoice reviews by the City and LAHSA typically centered on reconciling aggregate amounts in financial reports, rather than verifying the quality, legitimacy, or reasonableness of expenses. Antiquated systems and manual processes, prolonged budget amendments, and inconsistent invoice submission practices, resulted in administrative inefficiencies and potential payment delays. Existing controls did not always detect or address potential discrepancies, heightening the risk of underfunding essential services or approving unsubstantiated expenses. LAHSA's monitoring activity revealed a high level of noncompliance among the limited number of service provider contracts reviewed. City and LAHSA capacity constraints and insufficient segregation of duties may have further limited the extent of performance monitoring, ultimately affecting service quality and effectiveness.

Based on discussions with LAHSA personnel and review of relevant policies and procedures, A&M found that, during the Lookback Period, LAHSA did not contemporaneously verify that the service provider invoices reflected actual services provided at the given location before approving payment. Instead, it appears that LAHSA approved service provider invoices based solely on a high-level review of supporting financial documents, which did not include receipts or clear indications of the specific services delivered, allowing for potential misalignment between the services being reimbursed and those outlined in the service providers' contracts.

The invoicing process between the City and LAHSA, or the "cash request" process, was a time-consuming, manual process at risk of human error, exposing the City and LAHSA to potential accounting inaccuracies and complicating precise reconciliation of contract expenditures.

A&M's analysis of a sample of service provider contracts provided by LAHSA found that, on average, 82 days elapsed between the contract term's start date and the contract's execution date. Furthermore, each sampled contract reached full execution after its stated term had commenced, raising concerns about oversight and clarity regarding service provision during the interim period.

Lack of Contractual Clarity and Accountability: Contracts between the City, LAHSA, and service providers frequently contained broad terms without clear definitions, which created ambiguity about the scope and type of service delivered. This lack of specificity complicated efforts to align service types,

delivery, and quality. These challenges were compounded by multiple funding sources, poorly designed and siloed processes, lack of collaboration, and overlapping responsibilities between the City, the County, LAHSA, and service providers. Furthermore, service providers were granted discretion in allocating funding for services, adding another layer of complexity, accountability and risk. Collectively, these factors reduced transparency, blurred roles and responsibilities, and impeded effective coordination of homelessness assistance services.

Contracts provided a wide scope of allowable services, granting service providers discretion in allocating funding across different service types, such as “Case Management” and “Residential Supervision.” For example, although a sample of contracts referenced “Residential Supervision” as a direct supportive service, it did not appear to define its scope or associated expectations. Meanwhile, the list of allowable costs under supportive services, based on the cost eligibility matrix for FY 2023-24 issued by LAHSA, were broad. Allowable costs for supportive services encompassed examples such as “case management,” “legal services,” “mental health services,” “child care,” and “life skill[s] training,” without specifying how or whether these categories intersect with “Residential Supervision.” This lack of clarity may have complicated determinations of eligible expenses and created variability in how service providers interpreted and delivered services, ultimately hindering consistent performance.

Due to ambiguous contractual language and the broad discretion granted by LAHSA to service providers in allocating funds for services, a wide range of allowable expenditures was deemed eligible for reimbursement. This discretion complicated efforts to establish uniform service types, ensure consistent delivery standards, and maintain quality across multiple service providers, ultimately hindering meaningful performance comparisons and accountability.

Cost and Service Variability: Within the City Programs, subprograms and their associated services demonstrated significant cost and performance variability across service providers. These variabilities were partly due to inconsistent outcome tracking, differences in participants’ needs and acuity levels, and variations in staffing models across the sites. These disparities made it difficult to compare the performance of each service provider and determine the cost-effectiveness of each intervention.

A&M identified and compared the most substantial categories of expenses reported by service providers across a sample of sites during FY 2023-24. A&M utilized the supporting invoice detail attached to the service provider invoices for this comparison. A&M identified considerable differences in actual expenses incurred associated with primary supportive services offered. For example, A&M observed the following ranges in expenses between the sampled sites (on a per-bed, per-day basis): personnel expenses ranged from \$67 to \$7, food or meal expenses ranged from \$18 to \$7, and security expenses ranged from \$32 to \$2. While these expenses should not be regarded as absolute, due to the varying formats and expense categories presented in each service provider’s supporting financial statements, the amounts illustrate the challenges of determining which services the City funded, and the nuance involved in reviewing financial records when assessing the overall cost of homelessness assistance services.

For FY 2023-24, a sample of sites reported a median permanent housing exit rate of approximately 22.0%, whereas 47.8% of exits resulted in a return to homelessness, exceeding the rate of exits to permanent housing. Overall, the reported metrics did not demonstrate consistent trends or correlations. For instance, a high percentage of document-ready participants or prolonged stays did not appear to

result in higher permanent housing placements, nor did any specific type of housing arrangement (congregate and non-congregate). These observations suggest that participants' outcomes are dependent on a multitude of factors.

Reconciliation of Spending: Funding and the City's budget allocations for homelessness assistance services were not routinely reconciled with actual spending or contractual obligations. This lack of reconciliation led to confusion about the total amount expended on homelessness assistance services, which made it challenging to ascertain how budgets for multiple endeavors and funding sources were utilized or whether they achieved the intended outcomes.

Across the Lookback Period, the City published a "Homeless Budget" each fiscal year within the City's Adopted Budget, amounting to a total of \$3.6 billion dollars from Fiscal Year 2020-21 through Fiscal Year 2023-24. However, the Inside Safe Program is the only City Program distinctly budgeted for within the Homeless Budget; otherwise, the Homeless Budget is primarily delineated by the City department receiving the allocated funds or sources of Special Funds (e.g., federal grants, Proposition HHH) available to the City to support homelessness-related activities. The City identified that many appropriated line items supported overlapping initiatives, not only for the City Programs, but also for "Other Homelessness Programs." Further, the City does not routinely reconcile actual spending to the Homeless Budget, complicating the ability manage costs and monitor spending.

Key Recommendations for Improvement

Establish a Comprehensive Homelessness Strategy and Strengthen Fiscal Alignment: The City, the County, and LAHSA should consider developing a unified homelessness strategy to align all existing and newly established beds under the City Programs and respective subprograms with specific, measurable objectives, ensuring that supportive services are both coordinated and impactful. This approach should include standardized processes and a mechanism to accurately track and reconcile homelessness-related expenditures against the approved fiscal budget to reduce duplications and inefficiencies while enhancing accountability. By integrating an aligned strategy with fiscal oversight, the City can better utilize its resources to reduce homelessness effectively.

Strengthen Coordination and Data Sharing: The City, the County, and LAHSA should consider developing and adopting consistent data definitions and integrate databases, consistent with data privacy requirements and all applicable laws, to reduce fragmentation in referral, prioritization and matching, and outcome-tracking processes. This coordination would improve overall communication, provide the ability to timely match an individual experiencing homelessness to the appropriate level of services, and track outcomes. Implementing a unified, coordinated entry process promotes equitable resource allocation, transparency, and fosters a more seamless continuum of care for individuals experiencing homelessness as they progress through various shelter and housing interventions and services.

Enhance Financial Oversight and Transparency: The City should consider authorizing and appointing an independent financial manager to develop a clear framework for reviewing and approving service provider invoices and the associated LAHSA invoices, or "cash requests." This role would develop processes to verify expense validity, confirm compliance with contractual requirements before payment of the City's funds, and help streamline and automate administrative processes. By introducing this level of objective oversight, stakeholders can bolster confidence in financial management and better ensure that the City's allocated funds are used effectively for their intended purposes.

Strengthen Invoice Transparency and Institute Real-Time Monitoring: The City and LAHSA should consider mandating that all service providers submit detailed, itemized invoices outlining specific costs, accompanied by clear supporting documentation for verification of services. This level of transparency would help reviewers quickly identify major cost drivers and assess compliance with contractual requirements. Shift away from predominately retrospective reviews by integrating regular, real-time monitoring of expenditures and onsite reviews of service delivery.

Improve Contract Monitoring and Compliance: LAHSA should consider enforcing clear, uniform standards for the format, frequency, and level of detail in reporting, ensuring service providers accurately and completely record expenses, participant data, and service delivery in a timely manner. Supplement existing key performance indicators (e.g., occupancy rates, number of people served) in contracts with outcome-based measures (e.g., housing stability and retention rates, referrals and healthcare access, returns to homelessness), as well as site locations where applicable, enabling more meaningful evaluations of service effectiveness and transparency.

Optimize Resource Allocation: The City, the County, and LAHSA should consider linking portions of funding or contract renewals to verified results, incorporating measurable goals and long-term outcomes with clear benchmarks for continuous improvement. Use standardized, accurate, and complete data to determine the most effective subprogram models and redistribute funds, as needed.

Conduct an Independent Operational Assessment of LAHSA: The City and the County should consider commissioning an external, comprehensive review of LAHSA's organizational structure, staffing, data management, service delivery models, and interagency collaboration. This independent assessment would help clarify whether LAHSA's current capacity and processes align with leading practices, identify operational gaps, and propose targeted improvements. By providing an objective evaluation, stakeholders can better determine how to enhance the agency's overall performance and ensure effective use of the City's funds.

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SECTION 1

Introduction

1.1 THE CURRENT STATE OF HOMELESSNESS IN THE CITY OF LOS ANGELES

The growth of the homeless population in the City and the County of Los Angeles has reached historical levels driven by a combination of rising housing costs, economic inequality, and limited social and mental health services.¹ Many public health scientists and researchers have deemed homelessness a public health “crisis” in many cities and communities, such as Seattle and New York City.² In March 2020, the LA Alliance for Human Rights filed a federal lawsuit against the City and the County, alleging that the parties had not allocated sufficient resources or developed the necessary infrastructure to adequately address the needs of the unsheltered population. The litigation, *LA Alliance for Human Rights et al. v. the City of Los Angeles, et al.* (Case 2:20-cv-02291-DOK-KES), alleged systemic failures as the root causes of homelessness and demanded comprehensive reforms.

Los Angeles Mayor Karen Bass issued a local emergency declaration on December 12, 2022, with respect to the City’s homelessness crisis.³ In 2024, more than 45,000 individuals were reported experiencing homelessness within the City,⁴ reflecting a 2.2% decrease compared to the previous year’s Point-In-Time (“PIT”) count.⁵ Notably, the City experienced a 9.6% increase in homelessness since 2020, underscoring the continued challenges in addressing homelessness in Los Angeles.⁶

Last year, in May 2024, the Los Angeles County Department of Public Health (“DPH”) published a report on mortality rates and causes of death among people experiencing homelessness (“PEH”), analyzing data from 2014 through 2022.⁷ Over this eight-year timeframe, the mortality rate among PEH increased at a pace approximately 30% higher than overall growth in this population, indicating a disproportionate increase in deaths relative to population size.⁸ The report cited overdoses, coronary heart disease, and transportation-related injuries as primary contributors.⁹

During the combined years of 2021 and 2022, the all-cause mortality rate among PEH in the County was 3.9 times higher than that of the total County population.¹⁰ Within the same period, PEH were 40.5 times more likely to die from an overdose, 18.3 times more likely to die from a transportation-related injury, 17.7 times more likely to die from homicide, 8.4 times more likely to die from suicide, 4.3 times more likely to die from coronary heart disease, and 1.7 times more likely to die from COVID-19, compared to the total County population.¹¹

¹ The Homelessness Public Health Crisis, Harvard Magazine, May-June 2024.

² Ibid.

³ Mayor Bass Executive Directive No. 2, Inside Safe Initiative, Issue Date December 21, 2022.

⁴ 2024 Greater Los Angeles Homeless Count, dated June 28, 2024 (LAHSA).

⁵ 2023 Greater Los Angeles Homeless Count [No Date Available] (LAHSA).

⁶ City of Los Angeles Point-In-Time Counts, 2020 through 2024 (LAHSA).

⁷ LA County Public Health, Mortality Rates and Causes of Death Among PEH in LA County: 2014-2022, May 2024, p. 3 of 37.

⁸ Ibid.

⁹ County of Los Angeles Public Health, New Public Health Report Shows Homeless Mortality Rate Plateaued in 2022, dated May 9, 2024.

¹⁰ LA County Public Health, Mortality Rates and Causes of Death Among PEH in LA County: 2014-2022, May 2024, p. 21 of 37.

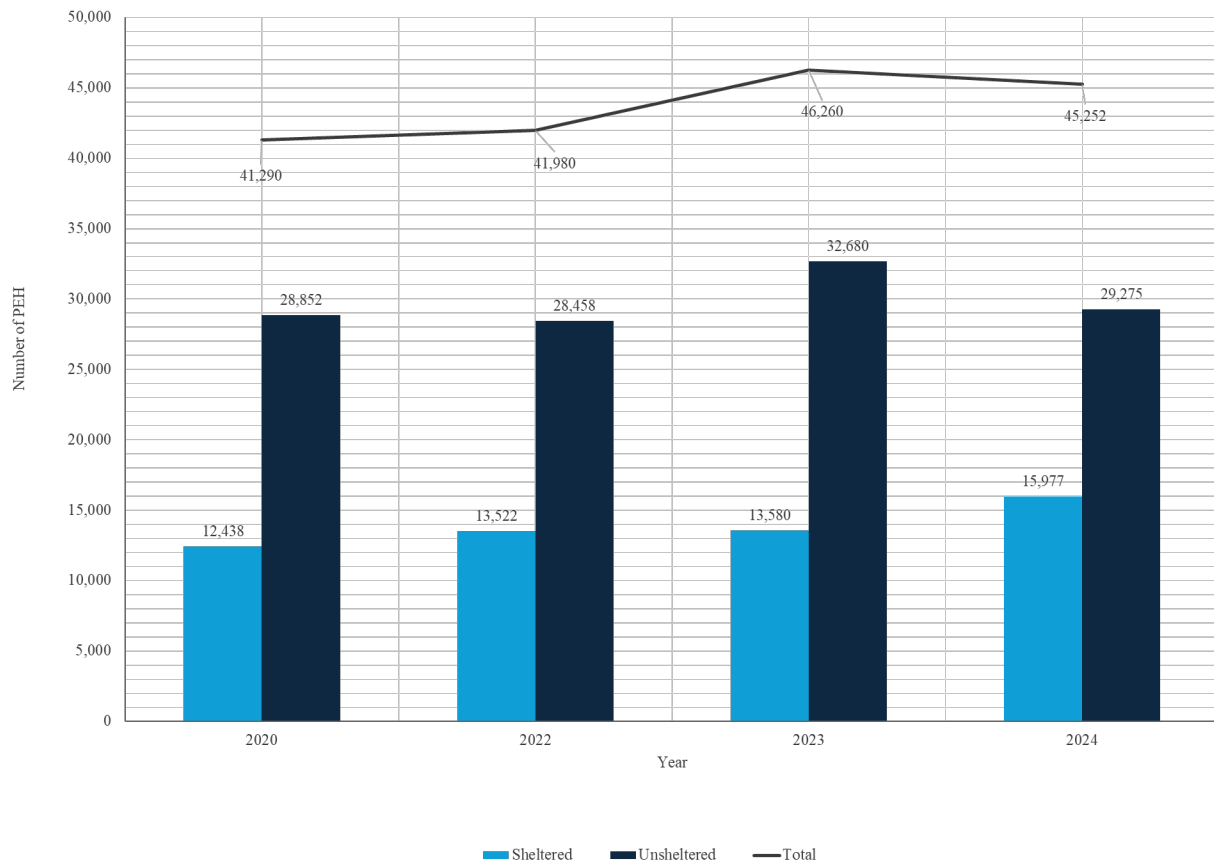
¹¹ Ibid.

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The report reflected the need to sustain and expand access to healthcare, mental health and substance use treatment, and permanent and supportive housing solutions to address preventable fatalities in this population.¹² While the rise in mortality among PEH signals critical service gaps, it also emphasizes the importance of examining fiscal spending to ensure resources are allocated effectively to address these urgent concerns.

FIGURE 1.1

City of Los Angeles Annual PIT Counts



SOURCE: 2020 – 2024 Greater Los Angeles Homeless Count, City of Los Angeles

FIGURE NOTE: In 2021, the Los Angeles Homeless Services Authority did not conduct the annual unsheltered Point-In-Time count due to COVID-19-related health and safety concerns. The U.S. Department of Housing and Urban Development granted an exemption for that year, resulting in a data gap for 2021 compared to other periods.¹³ LAHSA, the lead agency for the Los Angeles Continuum of Care, determined that mobilizing approximately 8,000 volunteers to perform the PIT count was not feasible during this high-risk stage of the pandemic.¹⁴

¹² County of Los Angeles Public Health, New Public Health Report Shows Homeless Mortality Rate Plateaued in 2022, dated May 9, 2024.

¹³ LAHSA, HUD Exempts Los Angeles from 2021 Unsheltered Point-in-Time Count, dated December 9, 2020.

¹⁴ Ibid.

1.2 INTERJURISDICTIONAL, GOVERNANCE, AND SERVICE DELIVERY FRAMEWORKS

The City of Los Angeles, situated within the County of Los Angeles – the most populous county in the United States, with over ten million residents¹⁵ – operates in a complex environment when addressing homelessness. The multifaceted homeless services delivery system within the City relies on both a Joint Powers Authority and County-level agencies.

Although the City provides funding for homelessness services, these efforts are implemented primarily through LAHSA, a Joint Powers Authority established in December 1993, through a collaborative agreement between the City and the County (“Joint Powers Authority Agreement” or “JPAA”).¹⁶ On behalf of both jurisdictions, LAHSA manages resources and facilitates the delivery of essential programs and services to address homelessness throughout the region through its Coordinated Entry System (“CES”) while navigating policy priorities, funding streams, and administrative requirements of both the City and the County.

As the designated Continuum of Care (“CoC”) lead agency for the Los Angeles region,¹⁷ LAHSA is responsible for coordinating and administering a comprehensive response to homelessness in compliance with U.S. Department of Housing and Urban Development (“HUD”) mandates and guidelines.¹⁸ This framework outlines a continuum of intervention points, including outreach, emergency shelter, transitional housing combined with supportive services, and permanent housing options, including permanent supportive housing as needed.¹⁹

LAHSA, as the lead CoC agency, bears the responsibility for overseeing and evaluating its local homelessness response systems. A central element of this oversight involves conducting a PIT count of PEH at least biennially, and an annual housing inventory count. These data collections yield valuable insights into local conditions, informing decisions on resource allocation, service delivery, and policy adjustments aimed at reducing homelessness and improving outcomes for vulnerable populations.²⁰

In contrast to the City’s governance structure, which is organized into 15 Council Districts,²¹ LAHSA administers homelessness services regionally, using eight Service Planning Areas (“SPAs”) that were originally defined by the County’s DPH.²² These SPAs are designed to reflect differences in demographics, socioeconomic conditions, and service needs across the county, in hopes to allow LAHSA to tailor interventions more effectively.

¹⁵ Los Angeles County California, 2020 Decennial Census, United States Census Bureau.

¹⁶ LAHSA Joint Powers Authority Agreement, dated December 17, 1993, p. 1 of 20.

¹⁷ LAHSA, Los Angeles Continuum of Care (<https://www.lahsa.org/coc/>).

¹⁸ HUD CoC Program Interim Rule, 24 CFR Part 578.

¹⁹ LAHSA, Los Angeles Continuum of Care (<https://www.lahsa.org/coc/>).

²⁰ Ibid.

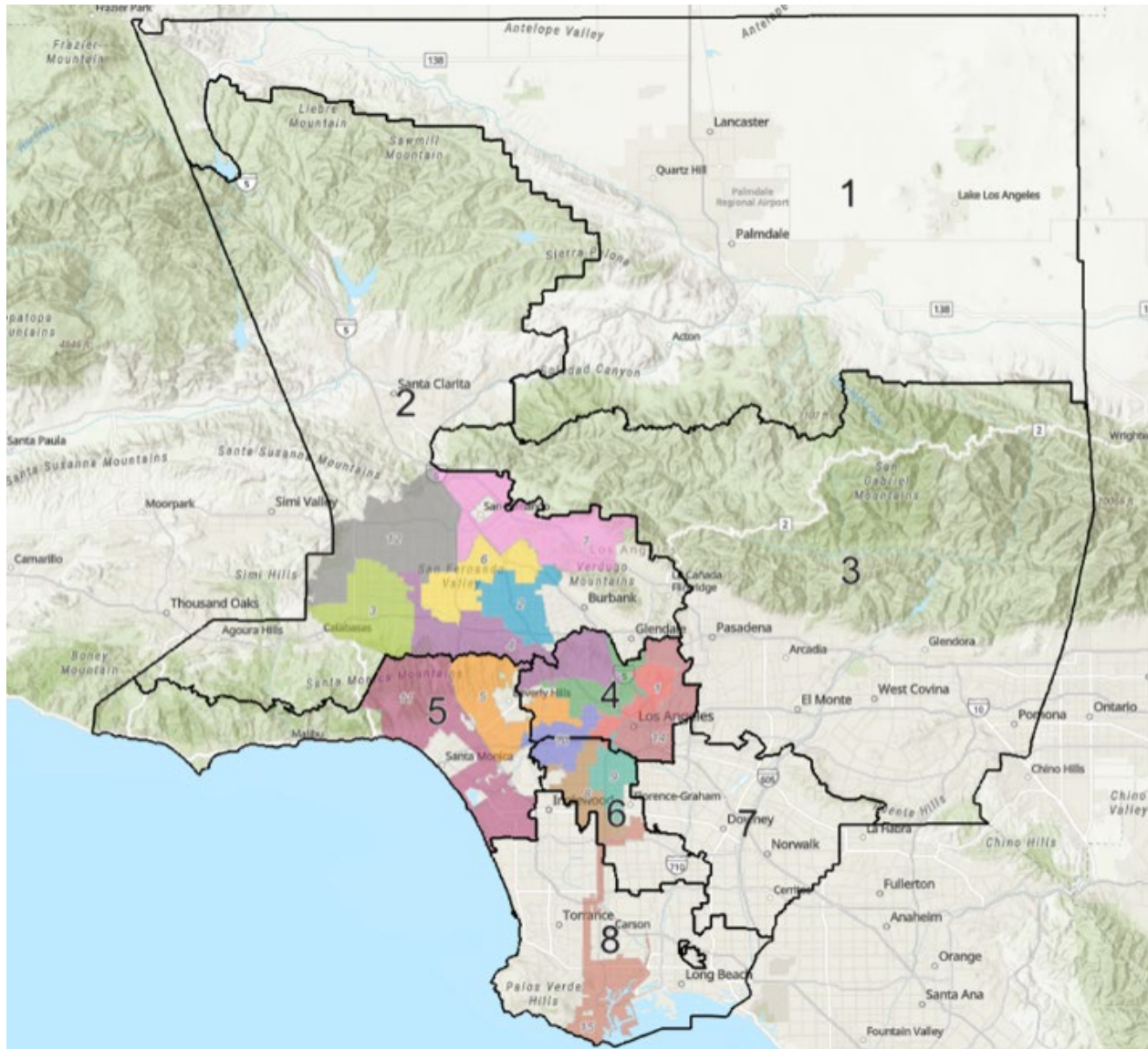
²¹ City of Los Angeles, Meet Your Government (<https://lacity.gov/government>).

²² LAHSA, Coordinated Entry System (<https://www.lahsa.org/ces/home/accessingces/>); County of Los Angeles Public Health, Service Planning Areas (<http://publichealth.lacounty.gov/chs/SPAMain/ServicePlanningAreas.htm>).

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FIGURE 1.2

Map of LAHSA SPAs and City Council District



SOURCE: ArcGIS Online Mapping Software. The datasets overlapped are "Service Planning Areas 2022 (view)" and "LA City Council Districts (Adopted 2021)"

However, this regional approach, because of its design, is misaligned between the City and LAHSA, and introduces complexities. This misalignment diminishes direct accountability for financial investments and complicates the evaluation of outcomes at the Council District level. This dual-layered structure often results in overlapping responsibilities, differing funding streams, and intricate accountability arrangements. The intersection of Council Districts and SPAs influences both the governance processes and the financial oversight of the City's homeless services system.

Concurrently, the City depends on the County for the provision of critical supports. For instance, the Los Angeles County Department of Health Services ("DHS"), rather than the City, provides public healthcare

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services through County-operated or contracted sites. Similarly, other County-level agencies offer mental health and social service resources that directly influence the conditions faced by unsheltered PEH. This reliance by the City on County-provided services introduces additional financial, operational, and administrative considerations into the City's homeless services delivery system.

This intertwined governance structure, with LAHSA at the nexus of the City and the County's roles, results in a complex environment characterized by overlapping responsibilities, diverse funding streams, communication obstacles, and multiple accountability channels; consequently, it is extremely difficult to clearly define the process flows for both funding and service delivery within the CoC system.

1.3 HISTORICAL EXAMINATION OF EACH CITY PROGRAM'S DEVELOPMENT

Within this environment, the City developed the City Programs. As described further below, two of the City Programs were developed in response to a litigation matter, and the other followed the mayor's declaration of a state of emergency within the City. These originating conditions have significantly influenced each City Program's structural design, strategic focus, and operational implementation of the respective services. This section outlines the historical context behind the establishment of each City Program, highlighting their unique objectives and operational frameworks.

1.3.1. ROADMAP PROGRAM

The Roadmap Program emerged from the LA Alliance for Human Rights lawsuit against the City. In May 2020, the Honorable David O. Carter, United States District Judge for the Central District of California, issued a preliminary injunction requiring both the City and County of Los Angeles to relocate and shelter homeless individuals living near freeway overpasses, underpasses, and ramps.²³ In response, the City entered into a Memorandum of Understanding ("Roadmap MOU") with the County, to address homelessness, particularly encampments near freeway areas, individuals aged 65 and older experiencing homelessness, and other vulnerable populations, such as individuals with preexisting medical conditions and/or susceptible to the COVID-19 virus, experiencing homelessness within the City.²⁴ The Roadmap MOU, as of October 2020, formalized a commitment between the City and the County to provide a total of 6,700 beds and associated services for these target populations within an 18-month timeframe.²⁵ The term of the Roadmap Program ends on June 30, 2025, unless extended upon mutual agreement by the City and the County.²⁶

²³ Dkt. 677, Alliance Settlement Agreement, filed March 7, 2024, p. 178 of 209.

²⁴ Roadmap MOU, dated October 12, 2020, p. 4 of 15.

²⁵ Ibid., p. 3.

²⁶ Ibid., p. 4.

Bed Establishment and Existing Bed Obligations of the Roadmap Program



In addition to funding the services for the New Beds and Other Beds,²⁹ the County committed to providing a package of “mainstream services” to PEH residing in the City-established facilities under the Roadmap MOU.³⁰ These “mainstream services” delivered through the County Departments of Health Services, Mental Health, Public Health, and Public Social Services, encompass:

- ³⁰ Roadmap MOU, dated October 12, 2020, p. 9 of 15.

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- Disability benefits advocacy,
- Public assistance application support (e.g., EBT benefits, Medi-Cal, temporary financial assistance, and employment services), and
- General relief for indigent adults.³¹

Additionally, these services remained available at County offices and other locations for all eligible PEH within the City, including those benefiting from family reunification efforts.³² To optimize resources, services for PEH housed or sheltered under the Roadmap MOU were permitted to be facilitated by LAHSA in collaboration with community-based providers.³³

1.3.1.1. Status Reporting as of June 30, 2024

Pursuant to the Roadmap MOU, the City agreed to submit to the County and the Court their “Bed Plan” describing how the City would establish New Beds and Other Beds.³⁴ During the term of the Roadmap MOU, the City also agreed to provide written quarterly status reports (“Roadmap Quarterly Reports”), starting at least by October 15, 2020, to report on the City’s progress in providing New Beds, Other Beds, and services.³⁵ The County agreed to report to the City and the Court the amounts paid to the City as well as the provision of mainstream services for PEH in facilities established by the City under the Roadmap MOU.³⁶

The Roadmap Quarterly Reports from the City were required to include various fields:

- Updates to the Bed Plan,
- Number and location of New Beds and Other Beds,
- Current status of bed development and other interventions under consideration pursuant to the Roadmap MOU, and
- Number of PEH provided New Beds and Other Beds, categorized by the three target populations within the City:
 - i. PEH within 500 feet of freeway overpasses, underpasses and ramps,
 - ii. PEH who are aged 65 years or older, and
 - iii. Other vulnerable PEH.

As part of the reporting requirements under the Roadmap MOU, the City provided updates on several key data points. Specifically, the City outlined the:

- Types of interventions being developed in each Council District (“Project Type” and “Address/Location”),
- Number of beds provided in each intervention (“Beds” and “Beds Open to Date”),
- Status of each project (“Status”), and
- Number of unsheltered individuals from each of the three target populations placed in the intervention (“PEH within 500 ft [Individuals],” “PEH 65 Years or Older [Individuals],” “PEH

³¹ Ibid.

³² Ibid.

³³ Ibid., p. 8.

³⁴ Ibid., p. 9.

³⁵ Ibid., p. 10.

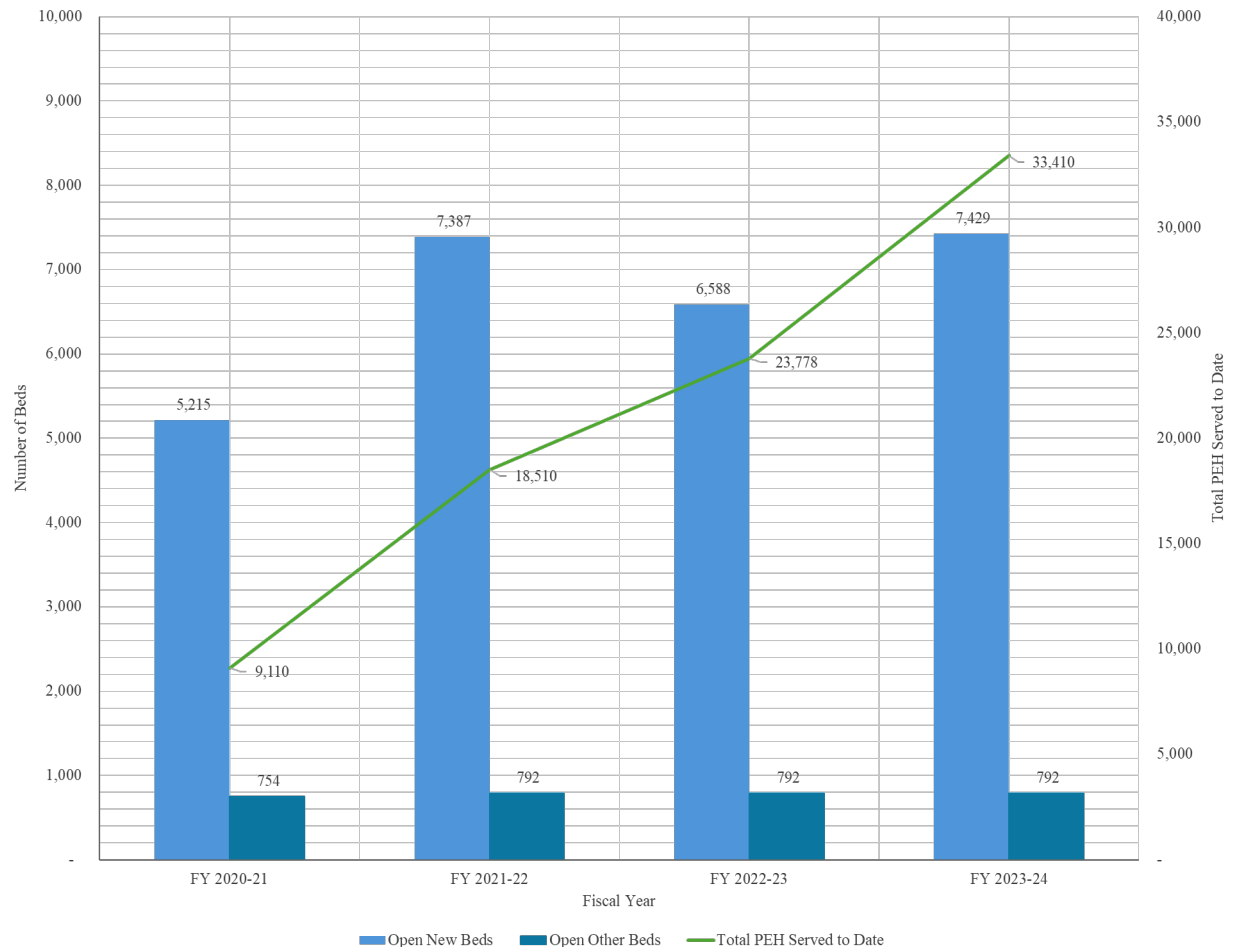
³⁶ Ibid., pp. 10-11.

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Other Vulnerable [Individuals],” “Total PEH Served per the Agreement,” “Other PEH Not Prioritized In Agreement [Individuals],” and “Total PEH Served to Date [Individuals]”).

FIGURE 1.4

Roadmap Overview of Reported Open Beds and PEH Served as of June 30, FY 2020-21 through FY 2023-24



SOURCES: Roadmap Quarterly Reports: Dkt. 342 (Roadmap Quarterly Status Report as of June 30 2021), Dkt. 560 (Roadmap Quarterly Status Report as of June 30, 2022), Dkt. 559 (Roadmap Quarterly Status Report as of June 30, 2023), Dkt. 756 (Roadmap Quarterly Status Report as of June 30, 2024)

As of June 30, 2024, the City appears to have met its obligation to establish and open 6,700 New Beds by June 30, 2025. As of June 30, 2024, the City reported 7,429 New Beds and 792 Other Beds as open and occupiable, with services provided to 17,560 PEH served from the target populations, or “Total PEH Served per the Agreement,” and 15,660 PEH not prioritized under the Roadmap MOU, or Other PEH Not Prioritized in Agreement.³⁷ With the Roadmap Program in place, the City and the County had taken a step toward further addressing homelessness.

³⁷ Dkt. 756, Roadmap Quarterly Status Report as of June 30, 2024, p. 8 of 59; although the PEH served total 33,220, the City reported that 33,410 total PEH had been served to date, based on the data provided by LAHSA.

1.3.2. ALLIANCE PROGRAM

Similar to the Roadmap Program, the Alliance Program emerged from the LA Alliance for Human Rights lawsuit. In May 2022,³⁸ the plaintiffs and the City sought to fully and finally resolve all claims arising from or relating to any matters alleged, or that could have been alleged, in the case, without any admission of fault, liability, or wrongdoing.³⁹ This resolution (“Alliance Settlement”) was intended to avoid the additional expense and inherent uncertainties of prolonged litigation, in accordance with the terms and conditions set forth in the settlement agreement. The parties agreed that the duration of the Alliance Settlement would be five years (ending in June 2027), during which time the Court would retain continuing jurisdiction to oversee and enforce the settlement agreement.⁴⁰

The Alliance Settlement sought to significantly increase the availability of shelter and housing options within the City, to address the needs of all individuals who shared public spaces and rights-of-way and to achieve a substantial, measurable reduction in unsheltered homelessness.⁴¹

Within the Alliance Settlement, the City agreed to establish a required number of housing and shelter options that was at least equal to, and could, at the City’s discretion, exceed the capacity needed to service 60% of the unsheltered City Shelter Appropriate⁴² population, as identified by LAHSA’s 2022 PIT count.⁴³ Subject to constitutional requirements or other applicable legal requirements, the City retained sole discretion to determine the form of shelter or housing solutions to meet the required number of beds specified within the settlement agreement.⁴⁴ These options could include, but were not limited to:

- “Tiny homes,”⁴⁵
- Shared housing,
- Purchased or master-leased apartments, hotels/motels or other buildings,
- Congregate shelters,
- Permanent supportive housing,
- Rental assistance,
- Family reunification,
- Spring structures or tents,
- Safe parking,
- Safe sleeping/camping,
- Affordable housing, and

³⁸ The Court did not approve the Alliance Settlement until June 2022. (Dkt. 677, Alliance Settlement Agreement, filed March 7, 2024, p. 178 of 209).

³⁹ Dkt. 677, Alliance Settlement Agreement, filed March 7, 2024, p. 2 of 209.

⁴⁰ Dkt. 677, Alliance Settlement Agreement, filed March 7, 2024, p. 4 and pp. 67-70 of 209.

⁴¹ Dkt. 677, Alliance Settlement Agreement, filed March 7, 2024, p. 2 of 209.

⁴² The term “City Shelter Appropriate” was defined as the inclusion of any PEH within the City whom the City could reasonably assist, “meaning the individual: (A) does not have a severe mental illness, and/or (B) is not chronically homeless and has (i) a substance use disorder, or (ii) a chronic physical illness or disability requiring the need for professional medical care and support, such that the individual (a) is unable to perform activities of daily living, including bathing, dressing, grooming, toileting, transferring between bed and chair, and feeding oneself, and/or (b) lacks medical and/or mental health care decision-making capacity, and/or (c) is in danger to themselves or others...the definition of City Shelter Appropriate, will not preclude the City from making an offer of shelter or housing to the individual if the City can reasonably assist that individual. (Dkt. 677, Alliance Settlement Agreement, filed March 7, 2024, pp. 2-3 of 209).

⁴³ Dkt. 677, Alliance Settlement Agreement, filed March 7, 2024, p. 5 of 209.

⁴⁴ Ibid.

⁴⁵ 2021 International Residential Code (IRC), Appendix AQ, “[Tiny House is] a dwelling that is 400 square feet (37 m2) or less in floor area excluding lofts.”

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- Interim housing.⁴⁶

Both publicly and privately funded solutions were permitted.⁴⁷ Furthermore, the City was required to provide accommodations for individuals qualifying as disabled under the Americans with Disabilities Act.⁴⁸

Under the Alliance Settlement, the City also agreed to continue to offer shelter or housing to the City Shelter Appropriate PEH within the City and enforce public space regulations and health and safety laws consistent with its own protocol, or “Street Engagement Strategy.”⁴⁹ Under the Alliance Settlement, once the City provided sufficient shelter or housing options to accommodate at least 60% of the unsheltered City Shelter Appropriate PEH, the City may, at its sole discretion, implement and enforce public space regulations and ordinances throughout its jurisdiction.⁵⁰ These measures may be applied to individuals who refused offered shelter or housing and/or declined relocation to a legally permissible alternative location.⁵¹

Within 30 days from the confirmation and release of information from the 2022 PIT count by LAHSA, the City would calculate the required number of shelter and housing options and provide that calculation to the plaintiffs.⁵² Thereafter, the City would create plans and establish milestones for (i) creating shelter and housing solutions to accommodate at least 60% of unsheltered individuals considered City Shelter Appropriate PEH in each Council District, as determined by the calculation; (ii) addressing encampment engagement, cleaning, and reduction in each Council District; (iii) creating shelter and/or housing to accommodate at least 60% of unsheltered City Shelter Appropriate PEH in the City as a whole; and (iv) implementing a plan for encampment engagement, cleaning, and reduction citywide.⁵³ The City agreed to provide these plans, milestones, and deadlines to the plaintiffs, and both parties would work together in good faith to address any concerns or disputes. The City could not count any shelter or housing interventions toward the Alliance Settlement if the interventions began operating before June 14, 2022, or if the interventions were used to fulfill the City’s existing obligations under the Roadmap Program.⁵⁴

On October 6, 2022, the City calculated and provided the required number of shelter and housing beds to the plaintiffs, within the 30 days from the release of the 2022 PIT count by LAHSA as prescribed in the Alliance Settlement.⁵⁵ It was docketed with the Court on October 14, 2022.⁵⁶ The City originally calculated 12,904 units.⁵⁷ However, the City ultimately agreed to create 12,915 shelter and housing beds.⁵⁸ On November 11, 2022, the City provided the plaintiffs with its proposed plans, milestones, and deadlines for the 12,915 beds necessary to serve 60% of the City Shelter Appropriate PEH.⁵⁹

In response to the Alliance Settlement, the City and the County entered into another MOU (the “Alliance MOU”) in May 2024, approximately two years after the Alliance Settlement. The purpose of the Alliance MOU was to establish a framework for funding and expanding housing, outreach, and supportive services

⁴⁶ Dkt. 677, Alliance Settlement Agreement, filed March 7, 2024, p. 5 of 209.

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ Ibid., p. 6.

⁵⁰ Ibid., p. 7.

⁵¹ Ibid.

⁵² Ibid., p. 8.

⁵³ Ibid.

⁵⁴ Ibid., p. 183.

⁵⁵ Ibid., p. 30.

⁵⁶ Dk. 483, Alliance Settlement - Required Number of Housing and Shelter Solutions, filed October 14, 2022, p. 3 of 3.

⁵⁷ Ibid.

⁵⁸ Dkt. 677, Alliance Settlement Agreement, filed March 7, 2024, p. 91 of 209.

⁵⁹ Ibid., p. 30.

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for PEH, as well as for facilitating data-sharing and other forms of collaboration.⁶⁰ The term of the Alliance MOU is through June 30, 2027, unless terminated sooner or extended by the parties, in whole or in part.⁶¹ As of the date of this report, no information has been identified indicating that the Alliance MOU has been terminated.

Under the Alliance MOU, the City outlined its responsibilities, which included but were not limited to:

- Contracting for the interim housing beds the City established under the Alliance Settlement,
- Invoicing the County for the cost of interim housing beds established by the City under the Alliance Settlement,
- Ensuring access to City interim housing beds for City PEH who are connected to County services,
- Conducting assessments and connecting clients to Mainstream Services,⁶²
- Establishing a City structure for outreach coordination,
- Prioritizing the placement of City PEH exiting County Homeless Initiative-funded unlicensed high service need interim housing (“High Service Need Interim Housing”) beds for City interim housing beds once clients are ready to be discharged,
- Establishing a process for the County to refer City PEH in High Service Need Interim Housing beds to City interim housing beds, and
- Developing a community housing preference program.⁶³

Additionally, under the Alliance MOU, the County outlined its responsibilities which included but were not limited to:

- Reimbursing the City on a retroactive and go-forward basis for the Bed Rate⁶⁴ of interim housing beds established by the City pursuant to the Alliance Settlement between June 14, 2022, and June 30, 2027,
- Providing Mainstream Services to clients in interim housing beds established by the City pursuant to the Alliance Settlement to clients who meet eligibility criteria for these services,
- Contracting and funding PSH Services,⁶⁵
- Prioritizing referrals of PEH in the City to PSH placements in project-based units located within City limits,
- Allocating at least one multi-disciplinary team per Council District and assigning the remaining multi-disciplinary teams where there is greatest need as informed by the PIT count,
- Providing access to City-funded outreach teams to refer City PEH to High Service Need Interim Housing beds using the County’s centralized bed management for High Service Need Interim Housing beds,

⁶⁰ Alliance MOU between County and City, dated May 2, 2024, p. 1 of 15.

⁶¹ Ibid., p. 4.

⁶² Pursuant to the Alliance MOU, “Mainstream Services” is defined as “County Department of Public Social Services (‘DPSS’) public assistance programs, DMH mental health services, County Department of Public Health-Substance Abuse Prevention and Control (‘DPH-SAPC’) services, and benefits advocacy services to clients who meet eligibility criteria for these services.” (Alliance MOU between County and City, dated May 2, 2024, p. 3 of 15).

⁶³ Alliance MOU between County and City, dated May 2, 2024, pp. 4-6 of 15.

⁶⁴ “Bed Rate” is defined as the daily or nightly fee paid to an interim housing provider to house one person. (Alliance MOU between County and City, dated May 2, 2024, p. 2 of 15).

⁶⁵ “PSH Services” is defined as Social welfare or benefits administered by or through the County, including (1) Intensive Case Management Services (“ICMS”) and integrated health services; (2) Mainstream Services; and (3) services to facilitate a tenant’s connection to primary care, specialty mental health services, and substance abuse disorder services. (Alliance MOU between County and City, dated May 2, 2024, p. 4 of 15).

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- Prioritizing referrals for City PEH to “mental health/SUD [substance use disorder] beds,” and
- Prioritizing referrals of City PEH to PSH placements in project-based units located within City limits, even if the units are funded and/or operated by the County.⁶⁶

1.3.1.2. Status Reporting as of June 30, 2024

Under the Alliance Settlement, the City agreed to provide quarterly status reports (“Alliance Quarterly Reports”) to the Court detailing its progress.⁶⁷ Specifically, these reports were required to address the following items:

- Number of housing and shelter units created or otherwise secured,
- Number of beds or opportunities offered, and
- Number of available beds or opportunities in each Council District.⁶⁸

In coordination with LAHSA, and to the extent feasible, the City would also include additional fields in the Alliance Quarterly Reports:

- Number of PEH engaged,
- Number of PEH who accepted offers of shelter or housing,
- Number of PEH who declined such offers and reasons for their refusal, and
- Number of encampments within each Council District.^{69,70}

As part of the reporting requirements under the Alliance Settlement, the City provided updates on several key data points. Specifically, the City outlined the:

- Types of interventions being developed in each Council District (“Intervention Type,” “Project Type,” and “Address/Location”),
- Number of beds provided in each intervention (“Units/Beds” and “Open & Occupiable Date”),
- Status of each project (“Status”),
- Number of unsheltered individuals enrolled in the respective intervention (“Total PEH Served”), and
- Number of encampment resolutions by Council District.

As of June 30, 2024, the City identified 8,663 beds as “Open” or “In Process” – approximately 67% of the goal.⁷¹

⁶⁶ Alliance MOU between County and City, dated May 2, 2024, pp. 6-9 of 15.

⁶⁷ Dkt. 677, Alliance Settlement Agreement, filed March 7, 2024, p. 9 of 209.

⁶⁸ Ibid.

⁶⁹ Dkt. 677, Alliance Settlement Agreement, filed March 7, 2024, p. 9 of 209.

⁷⁰ The parties planned to engage a mutually agreed-upon third party to provide data collection, analysis, comments, and regular public reports on the City’s compliance with the terms of the Alliance Settlement. As of the date of this report, based on the information available, there was no indication that any third party has been retained. Furthermore, based on the quarterly status report as of June 30, 2024, data concerning the number of beds or opportunities offered, number of PEH engagement, number of PEH who accepted offers of shelter or housing, the number who declined such offers, the reasons for their refusal, and number of encampments within each Council District have not been provided to date.

⁷¹ Dkt. 757, Alliance Quarterly Status Report as of June 30, 2024, pp. 4-10 of 12.

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FIGURE 1.5

Housing and Shelter Beds for City Shelter Appropriate PEH

Council District	Unsheltered PEH ⁷²	60% City Shelter Appropriate Goal ⁷³	Beds “Open” as of June 30, 2024 ⁷⁴	Beds “In Process” as of June 30, 2024 ⁷⁵	Remaining Beds
1	2,511	1,075	922	228	75
2	1,087	419	83	111	-225
3	844	410	98	355	43
4	858	406	197	121	-88
5	834	347	99	111	-137
6	1,590	730	189	220	-321
7	1,484	781	136	0	-645
8	1,334	574	375	454	255
9	2,943	1504	166	230	-1,108
10	1,420	628	403	159	-66
11	1,704	734	213	404	-117
12	944	415	54	325	-36
13	2,330	1,020	241	844	65
14	6,659	2,941	674	626	-1,641
15	1,916	931	167	458	-306
Grand Total	28,458	12,915	4,017	4,646	-4,252

SOURCES: Count of Unsheltered “All Persons,” Dkt. 677, Alliance Settlement Agreement, filed March 7, 2024; Dkt. 757, Alliance Quarterly Status Report as of June 30, 2024.

FIGURE NOTE: The “60% City Shelter Appropriate Goal” was calculated by the City based on the 2022 PIT count. The “Remaining Beds” field represents the difference between the total number of beds classified as “open” and “in process” in the reported Council District and the 60% target established for that Council District.

⁷² Count of Unsheltered “All Persons”; The jurisdictional boundaries were modified in December 2021, resulting in Council District distinctions (City Council Districts: 1, 2, 3, 4, 5, 10, 12, 13, and 14) that differ from those used in the LAHSA 2022 Greater Los Angeles Homeless Count, (2022 Greater Los Angeles Homeless Count [No Date Available]). The numbers above for these respective Council Districts reflect the modified jurisdictional boundaries.

⁷³ Dkt. 677, Alliance Settlement Agreement, filed March 7, 2024, pp. 185-186 of 209.

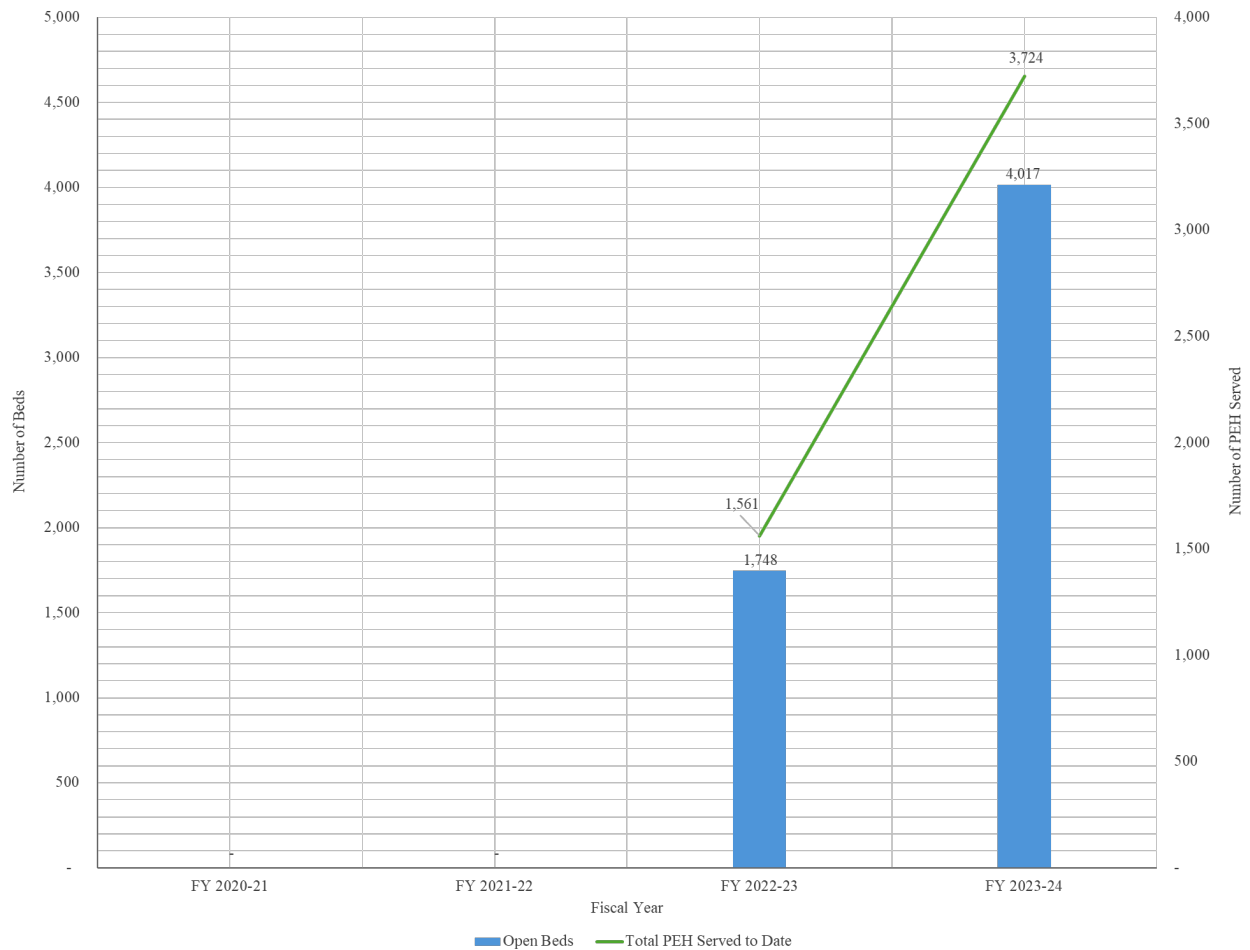
⁷⁴ Dkt. 757, Alliance Quarterly Status Report as of June 30, 2024, pp. 4-10.

⁷⁵ Ibid.

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FIGURE 1.6

Alliance Overview of Reported Open Beds and PEH Served as of June 30,
 FY 2022-23 through FY 2023-24



SOURCES: Dkt. 598, Alliance Quarterly Status Report as of June 30, 2023; Dkt. 757, Alliance Quarterly Status Report as of June 30, 2024

Based on the quarterly report ending June 30, 2024, 4,017 new beds or units had opened and an additional 4,646 were in progress, out of the 12,915 units required under the Alliance Settlement – totaling 8,663 new beds or units aligned with the Alliance Settlement’s objectives. Consequently, 4,252 additional beds or units were still required by June 13, 2027, to fulfill the terms of the Alliance Settlement. Four Council Districts were projected to meet their respective targets; however, the remaining Council Districts were required to include more beds or units in the pipeline to achieve compliance.⁷⁶ As of the date of the report, the City has not submitted to the Court its methodology to create the remaining 4,252 beds.

⁷⁶ Alliance Settlement Agreement Program (ASAP) Strategy and Progress as of June 30, 2024, dated September 6, 2024, p. 4 of 32.

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1.3.1.3. *Encampment Resolutions*

In relation to addressing encampment⁷⁷ engagement, cleaning, and reduction in each Council District, the City provided the plaintiffs with its plans, milestones, and deadlines on January 31, 2024.⁷⁸ For the time period of January 1, 2024, through June 30, 2024, the City established a milestone of 1,125 encampment resolutions.⁷⁹ The City specified that its encampment resolution data encompassed only tents and vehicles.⁸⁰ The City intended to broaden future reporting to include makeshift shelters in addition to tents and vehicles.⁸¹

FIGURE 1.7

Reported Encampment Resolutions, January 1, 2024 Through June 30, 2024

Council District	Goal	Encampment Resolutions	Δ
1	102	70	-32
2	45	100	55
3	38	74	36
4	35	28	-7
5	31	61	30
6	63	123	60
7	59	54	-5
8	53	35	-18
9	116	89	-27
10	53	67	14
11	67	172	105
12	38	121	83
13	91	126	35
14	258	525	267
15	76	43	-33
Grand Total	1,125	1,688	563

SOURCES: Dkt. 677, Alliance Settlement Agreement, filed March 7, 2024; Dkt. 757, Alliance Quarterly Status Report as of June 30, 2024

As reflected in Figure 1.7, based on the milestones set by the City for this time period, nine Council Districts met their designated targets, while six Council Districts – representing 40% of all Council Districts – did

⁷⁷ “LAHSA considers an ‘encampment’ to be 5 or more PEH and 3 or more shelters (tents, makeshifts, or vehicles) within a 300-foot radius or physical boundaries defined by an encampment resolution effort.” (Dkt. 677, Alliance Settlement Agreement, filed March 7, 2024, Exhibit F, p. 81 of 209).

⁷⁸ Dkt. 677, Alliance Settlement Agreement, filed March 7, 2024, p. 134 of 209.

⁷⁹ Ibid., p. 123 of 209.

⁸⁰ Alliance Settlement Agreement Program (ASAP) Strategy and Progress as of June 30, 2024, dated September 6, 2024, p. 15 of 32.

⁸¹ Ibid.

not achieve their goals. However, the total number of encampment resolutions exceeded the City's overall target by 563. The available data did not clarify whether unsheltered PEH were ultimately housed or relocated as a result of these interventions, leaving the outcomes uncertain and providing limited insight into the City's encampment resolution endeavors.

The Alliance Settlement, together with the Alliance MOU between the City and the County, laid the groundwork for the Alliance Program in its objectives to address homelessness. In sum, these agreements established a framework for coordinating funding, scaling housing infrastructure, and enhancing supportive services – all with the goal of ensuring that unsheltered PEH receive the comprehensive assistance they need.

1.3.3. INSIDE SAFE PROGRAM

Mayor Bass issued a local emergency declaration on homelessness in Los Angeles on her first day in office, December 12, 2022.⁸² Shortly thereafter, on December 21, 2022, the City officially launched the Inside Safe Program.⁸³ The Inside Safe Program collaborates with members of the Los Angeles City Council, the Los Angeles County Board of Supervisors, LAHSA, and a wide array of service providers. The Inside Safe Program focuses on selecting and prioritizing encampments identified by Council Districts throughout the City, with the objective of transitioning individuals from these encampments directly into interim housing. This interim housing placement serves as a temporary step toward achieving stable, permanent housing.⁸⁴

A key tactic of the Inside Safe Program is the use of motels and hotels as interim housing options. Rather than immediately relying on the available shelter and interim housing infrastructure, the City began negotiating contracts under booking or occupancy agreements with motel and hotel operators. This approach provides private rooms in hopes of fostering a safe and stable environment. These interim accommodations serve as a housing solution ensuring people are sheltered while permanent housing solutions are identified and arranged.

Specific to the Inside Safe Program, supporting these efforts is a dedicated Field Intervention Team, a multidisciplinary team composed of experienced professionals with backgrounds in lived-experience of homelessness, policy, public health, community advocacy, and substance-use recovery. This Field Intervention Team attempts to coordinate closely with various outreach teams on the ground including LAHSA Homeless Engagement Teams ("HETs"), USC Street Medicine and other service providers.⁸⁵ The Field Intervention Team leverages on-the-ground observations with the objective of ensuring that outreach and housing placements are targeted, efficient, and responsive to the needs of each individual.

During the operations of an Inside Safe Program encampment operation, various City departments perform specific roles. For example,

- The Los Angeles Sanitation and Environment Departments remove debris to restore sidewalks,
- The Los Angeles Department of Transportation ("LADOT") provides transportation services to interim housing units, and

⁸² Mayor Karen Bass Declares a State of Emergency on Homelessness, City of Los Angeles, dated December 12, 2022 (<https://mayor.lacity.gov/news/mayor-karen-bass-declares-state-emergency-homelessness>).

⁸³ Mayor Bass Executive Directive No. 2, Inside Safe Initiative, Issue Date December 21, 2022.

⁸⁴ City of Los Angeles, Inside Safe (<https://mayor.lacity.gov/InsideSafe>).

⁸⁵ Ibid.

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- The Los Angeles Police Department (“LAPD”) provides public safety.⁸⁶

In addition to the above, under the Inside Safe Program, the County’s Department of Mental Health (“DMH”) offers guidance and treatment, as needed.⁸⁷ LAHSA assists with shelter placement and data management support. State agencies could become involved under specific circumstances, such as when an encampment is located on property under the jurisdiction of the California Department of Transportation or on another state-managed parcel.

Each location under the Inside Safe Program is overseen by a nonprofit service provider responsible for delivering various supportive services to support participants’ transition out of unsheltered homelessness.

1.3.1.4. Status Reporting as of June 30, 2024

To understand the progress of Inside Safe operations and its participants, the Mayor’s Office requested recurring data reports from LAHSA.⁸⁸ This request aimed to ensure up-to-date and accurate provider data, while also communicating the Inside Safe Program’s progress to key stakeholders.⁸⁹ The reporting schedule was initially set on a weekly basis but altered to a bi-weekly frequency around August 2023.

The data reports provided by LAHSA consist of a dashboard highlighting aggregate-level data of current housing and program statuses, along with participant demographics for the Inside Safe Program.

Below are a few examples of the data fields in the dashboard: ⁹⁰

- Number of encampment operations (“Encampment Operations”),
- Number of individuals served or entered interim housing (“Entered Interim Housing”), and
- Number of participants who were permanently housed (“Currently Permanently Housed”).

The reports also include an Excel file containing deidentified demographic data, as well as the current housing and program status of each Inside Safe participant.

Below are a few examples of the data fields in the Excel file: ⁹¹

- “Ethnicity,”
- Gender (“Gender [group]”), and
- “Current Status.”

The source data for these reports was drawn directly from the Homeless Management Information System (“HMIS”).⁹² According to a memo from LAHSA to the Mayor’s Office, service providers were generally permitted up to 72 hours following an interaction with, or a status change of, a participant to enter data into HMIS.⁹³ However, due to the Inside Safe Program’s dynamic nature and its participants, this process may

⁸⁶ Ibid.

⁸⁷ Ibid.

⁸⁸ Mayor’s Office Memo, Weekly Inside Safe Report, dated July 21, 2023, p. 1 of 2.

⁸⁹ Ibid.

⁹⁰ LAHSA Data Report, Inside Safe, updated June 30, 2024.

⁹¹ LAHSA Data, Demographic and Housing Summary Report, dated June 14, 2024.

⁹² Mayor’s Office Memo, Weekly Inside Safe Report, dated July 21, 2023, p. 1 of 2.

⁹³ Ibid.

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have occasionally exceeded the 72-hour window.⁹⁴ Additionally, certain activities may have remained unrecorded in the information system, resulting in data gaps.⁹⁵

LAHSA's Data Integrity, Training, and Program teams actively sought to identify and address the discrepancies with service providers.⁹⁶ The reports generated by LAHSA supported the detection of data integrity issues. Once inaccuracies were identified, providers were responsible for updating the system. In accordance with LAHSA's data integrity policy, per the referenced memo, LAHSA may only make corrections on behalf of a provider under extenuating circumstances.⁹⁷ For example, in July 2023, it was noted that 13 clients had undefined permanent housing destinations, 91 clients had no documented record of entering interim housing (i.e., enrolling in the Inside Safe Program), and seven clients had rental assistance recorded without a corresponding move-in date or address.⁹⁸

⁹⁴ Ibid.

⁹⁵ Ibid.

⁹⁶ Ibid.

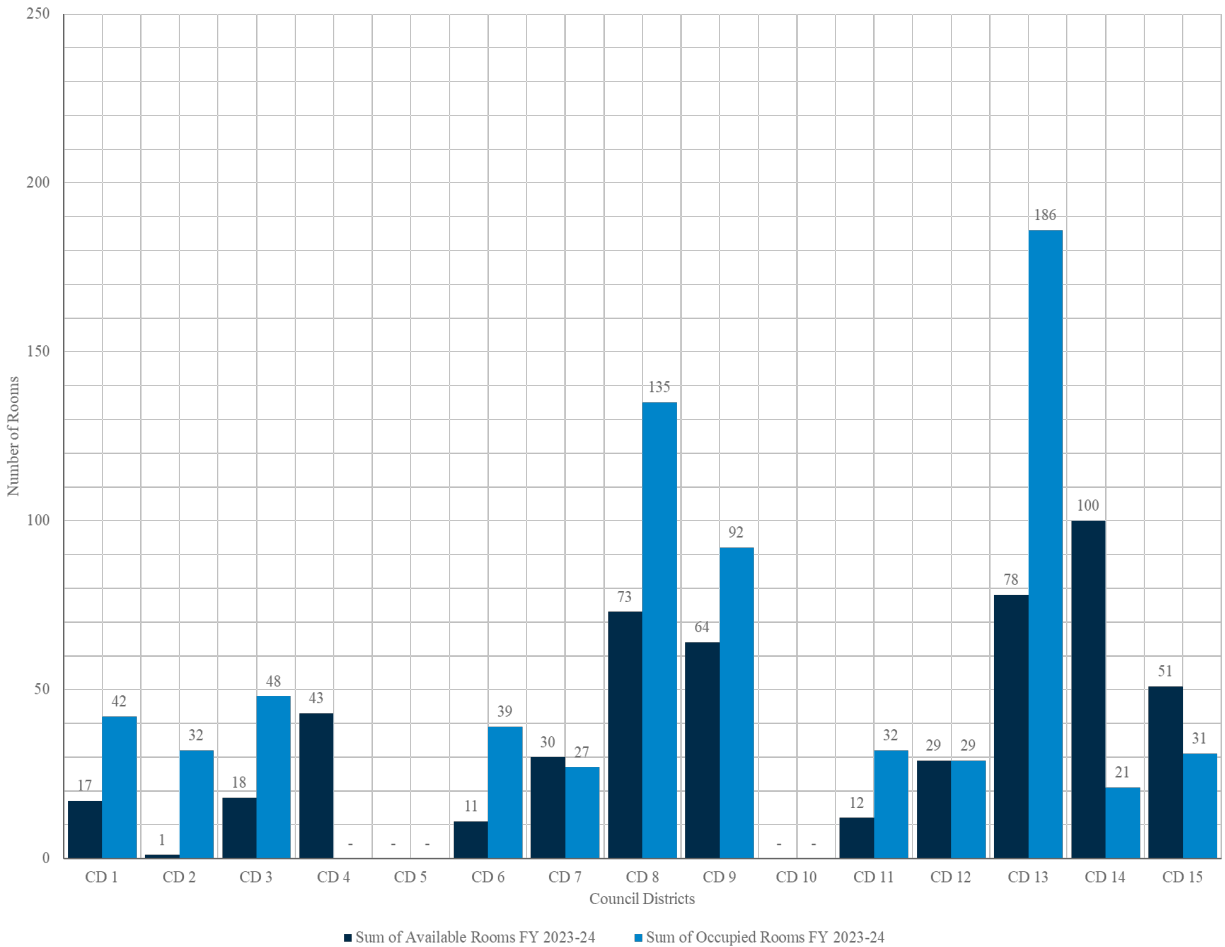
⁹⁷ Ibid.

⁹⁸ Ibid., p. 2.

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FIGURE 1.8

Inside Safe Program's Beds (Available and Occupied) as of June 28, 2024



SOURCES: City Data, Inside Safe Motel Occupancy Details; Inside Safe Occupancy Agreements for Hotels/Motels (from LA City Clerk Connect)

FIGURE NOTE: The figure above representing the 1,241 “Available” and “Occupied” beds does not include the Mayfair Hotel (294 beds) and LA Grand (473 beds), since these beds were reported under the Alliance Program and Roadmap Program, respectively, as of June 30, 2024.

As of June 28, 2024, the Inside Safe Program reported 1,241 “Available” and “Occupied” beds intended to support the unsheltered PEH. Due to limited data, the number of open and occupiable beds available for the Inside Safe Program’s participants throughout the Lookback Period was unavailable.

By June 30, 2024, the Inside Safe Program completed 56 encampment operations, resulting in 2,870 unsheltered individuals entering interim housing.⁹⁹ These figures highlight the City’s actions to address homelessness through both the expansion of housing resources and targeted encampment operations.

⁹⁹ LAHSA Data Report, Inside Safe, revised June 30, 2024.

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In transitioning from understanding the City Programs’ historical context and operational framework, the next section of the report clarifies the specific objectives guiding this financial and performance assessment. This shift in focus enables a more detailed examination of the ways in which the Roadmap Program, Alliance Program, and Inside Safe Program translated into measurable outcomes.

1.4 OBJECTIVES OF THE FINANCIAL AND PERFORMANCE ASSESSMENT

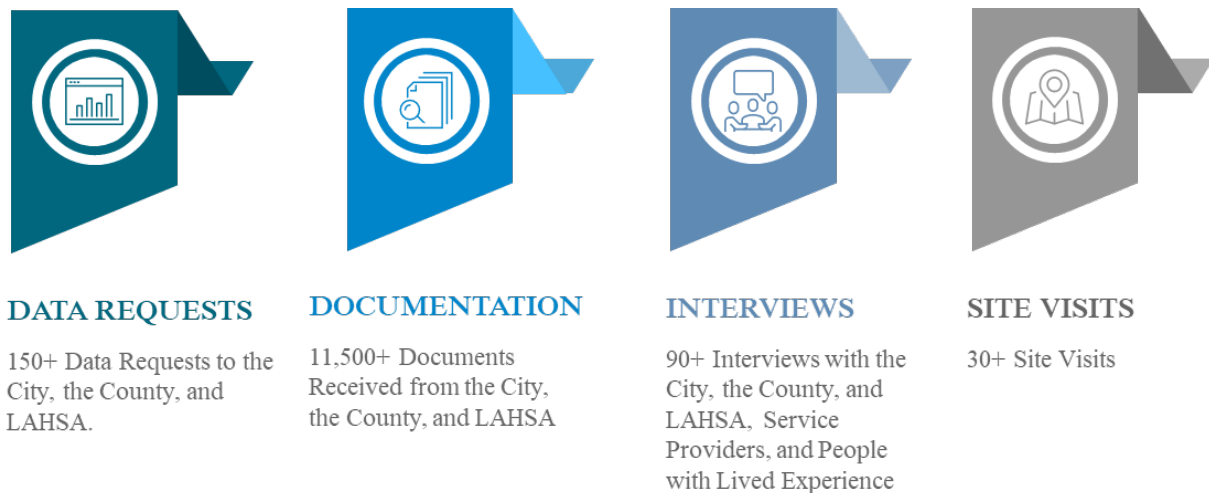
The overall objective of this financial and performance assessment was for A&M to conduct an independent, evidence-based evaluation of the City Programs, with a particular emphasis on the infrastructure and services funded by the City. The assessment’s specific objectives were developed in consultation with the Court.¹⁰⁰ In fulfilling these objectives, the assessment, generally, examined the funds expended by the City through LAHSA, evaluated the quality and effectiveness of the services provided by the City Programs in reducing homelessness and supporting affected individuals, and reviewed the accountability measures in place for achieving intended results and outcomes.

1.4.1. METHODOLOGY

This financial and performance assessment employed a systematic methodology designed to uphold objectivity, reliability, and credibility in evaluating both the financial and performance aspects of the City Programs. The process adhered to established professional standards and incorporated multiple analytical steps to support a thorough and balanced examination of the City Programs under review. The high-level approach is illustrated on Figure 1.9.

FIGURE 1.9

Approach of Financial and Performance Assessment



The assessment began with a review of contract documentation made available involving the City, LAHSA, and service providers. This initial phase identified key enforceable terms within the contracts, including invoice and payment requirements, defined service standards, monitoring and oversight mechanisms, and

¹⁰⁰ Dkt. 743, A&M Engagement Letter, dated May 17, 2024.

specified outcome metrics. Building on this foundation, the assessment included compliance testing in an attempt to determine whether the parties fulfilled all City-funded contractual obligations and conditions. To gain additional qualitative insights, A&M conducted interviews with City Council members and key stakeholders to capture qualitative insights into the service delivery effectiveness and perspectives of the City Programs.

Parallel to these steps, A&M performed analyses to evaluate expenses incurred under each City Program and associated contracts, determining whether expenses were properly supported by underlying documentation and accurately traced through the City and LAHSA's financial records. Additionally, financial data from LAPD was reviewed to analyze homeless-related appropriations, expenditures, and the associated performance measures. The assessment also evaluated whether the provision of services within the City Programs achieved predefined quality benchmarks and intended outcomes for PEH, as articulated in the various contract terms.

Overall, the assessment A&M conducted employed a multifaceted methodology, drawing on a wide range of data requests, data sources and approaches to develop a comprehensive understanding of the City Programs under review. In addition to examining various reports and records, A&M conducted onsite fieldwork at a sample of locations ("sampled sites"),¹⁰¹ reviewing relevant documentation and transactions firsthand. The selection of sampled sites sought to representatively reflect the various types of services funded by both the City and the County. This combination of quantitative data analysis and qualitative observations provided deeper insights into both operational practices and financial processes.

By incorporating these various procedures, the assessment endeavored to deliver a balanced and objective view of the operational integrity, financial stewardship, and performance effectiveness of the City Programs.

1.4.2. SCOPE LIMITATIONS

This financial and performance assessment conducted by A&M operated within a defined scope developed, as noted earlier, in consultation with the Court and, therefore, did not encompass all dimensions of the broader homelessness crisis facing the City. For instance, it did not evaluate whether newly established shelter and housing interventions for beds created under the City Programs represented an actual net increase in available resources or if these beds simply repurposed existing housing units – an analysis that would have required more extensive data collection and longitudinal market assessments. Furthermore, the evaluation did not examine the broader social, economic, and policy factors that may disproportionately affect certain demographic groups within the CoC system. These limitations acknowledge the complexities and interdependencies inherent in homelessness as a humanitarian crisis, emphasizing the need for continued research, dialogue, and policy development to fully understand and effectively address the issue.

Furthermore, while the City has executed a multitude of contracts related to addressing homelessness, most of these were ultimately excluded from the assessment because they could not be directly linked to the shelter and housing interventions and services established under the City Programs. In May 2024, the City identified approximately 30 distinct contracts across six separate departments, in addition to its existing contractual arrangements with LAHSA. These separate contracts may have supported activities or services operating independently of the City Programs' specific objectives or target populations.

¹⁰¹ See Appendix B and Appendix C.

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By maintaining this distinction, this assessment remained within its intended scope, allowing for a focused examination of the interventions and outcomes of the City Programs aligned to the judicial objectives and expectations of the Court.

1.4.3. DATA LIMITATIONS

Throughout this assessment, A&M issued multiple data requests, and worked to reconcile data provided across various disparate information systems. To illustrate the extent of the data collection process, the initial data request included 26 requests to the City and 27 requests to LAHSA. After the initial data production, A&M submitted supplemental requests to obtain additional information needed for comprehensive analyses. Therefore, over time, these figures increased, with the total number of formal requests reaching 72 and 75, respectively.¹⁰²

Despite the substantial volume of information that A&M requested and received, the overall data provided remained limited in its accuracy and completeness. This limitation was partially due to the multiple information systems being used by the City, the County, and LAHSA which produced siloed and fragmented data resulting in the inability to determine the accuracy of key metrics. At times, the data production resulted in inaccurate, incomplete, or incompatible datasets that hindered a comprehensive understanding of the City Programs' performance. This fragmented landscape prevented the depth of insight desired, as inconsistencies and data gaps rendered certain aspects of the analyses inconclusive. Additionally, during the assessment, the parties expressed reservations about providing data they believed fell outside the defined scope. The parties may have exercised discretion in interpreting the data requests from A&M. At the same time, A&M endeavored to limit its data requests to information directly relevant to the objectives of this engagement; therefore, all parties' interpretations may have limited the completeness of the dataset, which may have affected the comprehensiveness of the respective analyses.

Therefore, while all parties endeavored to provide timely, complete, and accurate data, variations in data sources, reporting formats, and production timing introduced complexities and contributed to delays in the assessment process. Due to the quality and condition of the data, A&M relied upon the most comprehensive and reliable information available. In the absence of accurate and complete data, as well as an integrated data infrastructure, critical understanding of the City Programs' effectiveness, resource allocation, and long-term outcomes remained constrained.

¹⁰² Supplemental data requests were informally submitted to the parties through interviews and follow-up emails.

SECTION 2

City Programs' Structure

2.1. TYPES OF HOUSING INTERVENTIONS ESTABLISHED BY THE CITY PROGRAMS

Under the City Programs, the City established a range of shelter and housing interventions and supplementally funded supportive services to engage with unsheltered PEH both prior to and during enrollment in these interventions. Generally, these interventions and their associated services were classified as various types of programs, each designed to address specific needs of unsheltered PEH during their enrollment.

For the purposes of this financial and performance assessment, each individual program is referred to as a “subprogram” to refer to a component of the broader City Programs; these subprograms were established within the CoC framework to target housing solutions and provide specialized supportive services aligned with defined objectives.

It is important to note that the City’s public services, such as public safety and health, were not classified as subprograms under this definition. Although these government functions may intersect, the primary focus of these endeavors, such as encampment clean-ups, existed independent of the City Programs and, therefore, they generally operate outside the CoC framework, which reflect the distinct but interrelated nature of municipal operations. This section provides a foundational overview of the City Programs’ structure and the resources dedicated to achieving their homelessness assistance objectives; it also offers context for understanding the role these subprograms and services play within the CoC system.

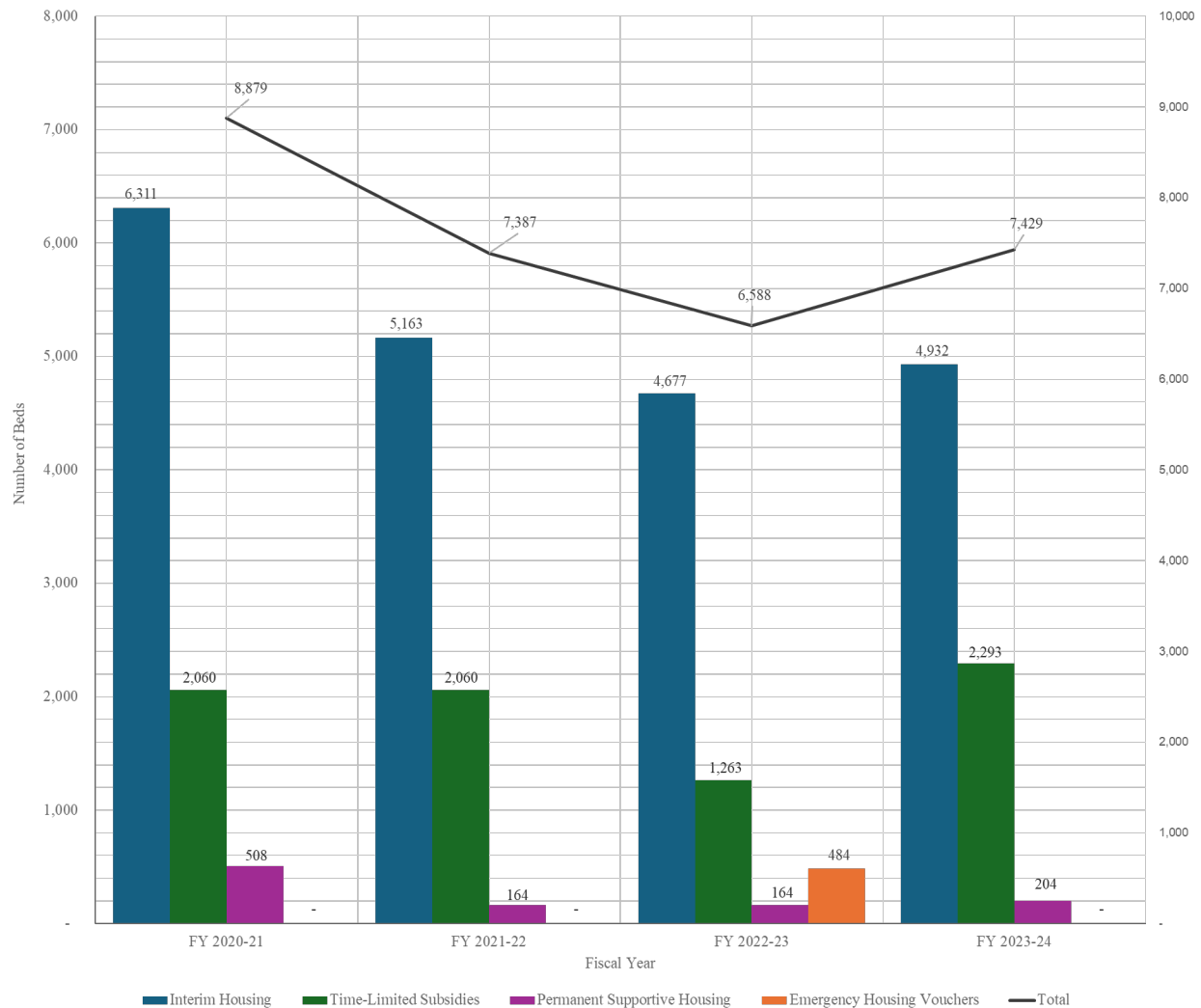
Across the Lookback Period, as exhibited in the subsequent graphical illustrations in Figures 2.1, 2.2 and 2.3, the City funded various types of emergency shelter and housing interventions across the City Programs, each with its own emphasis and scope. Under the Roadmap Program, a diverse array of shelter and housing interventions was developed, including interim and permanent housing; these interventions encompassed both short-term and long-term solutions. By comparison, the Alliance Program prioritized permanent housing, specifically permanent supportive housing (“PSH”), focused on long-term solutions. In contrast, the Inside Safe Program devoted all efforts to interim housing through beds established under booking or occupancy agreements with motel/hotel owners.¹⁰³

¹⁰³ No expenditures were identified for any form of permanent housing under the Inside Safe Program.

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FIGURE 2.1

Roadmap Program - New Beds (Open and In-Process) by Type of Housing Intervention as of June 30, FY 2020-21 through FY 2023-24



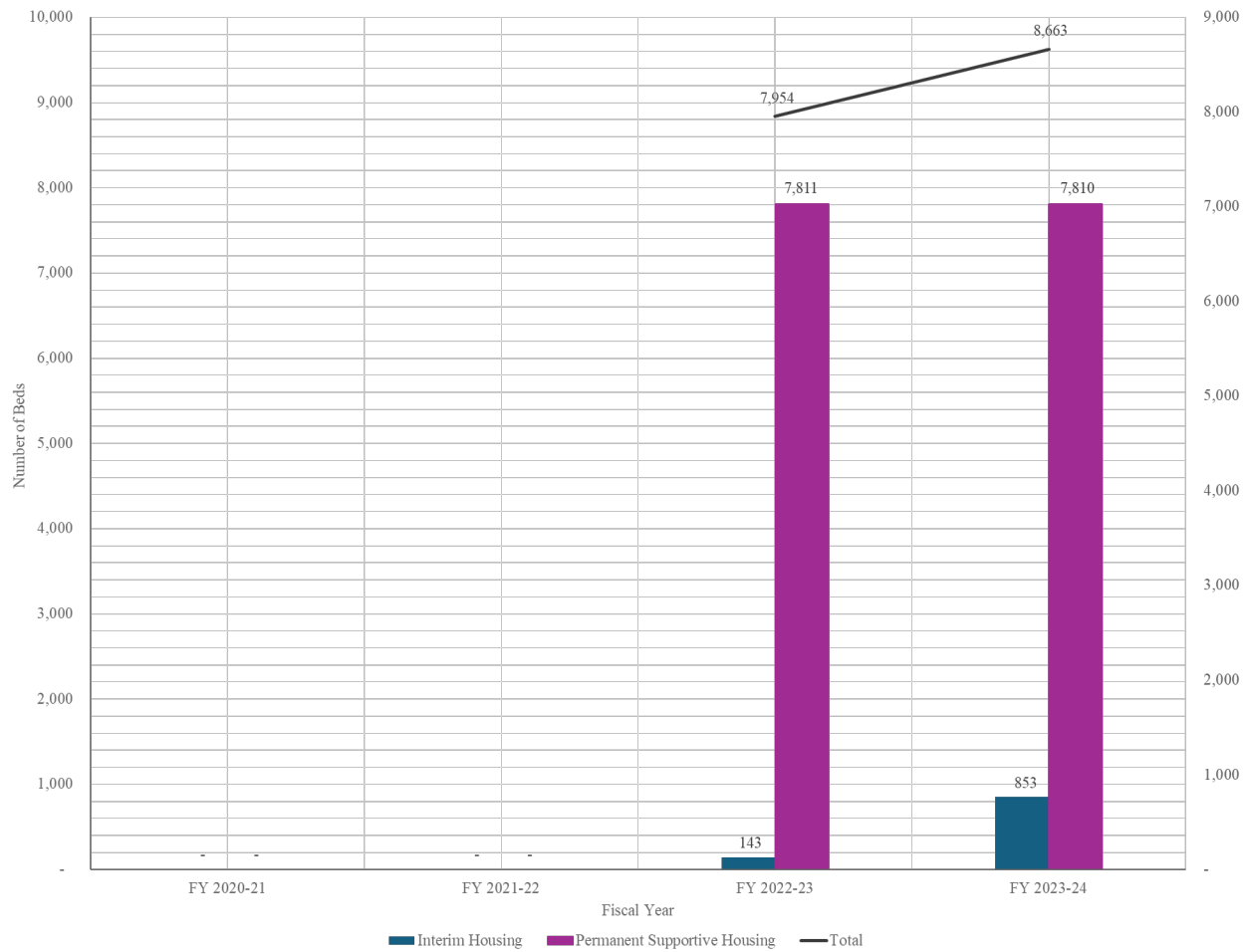
SOURCES: Roadmap Quarterly Reports: Dkt. 342 (Roadmap Quarterly Status Report as of June 30, 2021); Dkt. 560 (Roadmap Quarterly Status Report as of June 30, 2022); Dkt. 559 (Roadmap Quarterly Status Report as of June 30, 2023); Dkt. 756 (Roadmap Quarterly Status Report as of June 30, 2024)

FIGURE NOTE: In the Roadmap Quarterly Status Report as of June 30, 2021, the City reported a total of 9,633 New Beds and Other Beds. Of that figure, 8,879 beds appeared to pertain to the category of New Beds. Further, some Project Homekey sites were counted as interim housing; it is A&M’s understanding that some of these units are in process of being converted to PSH.

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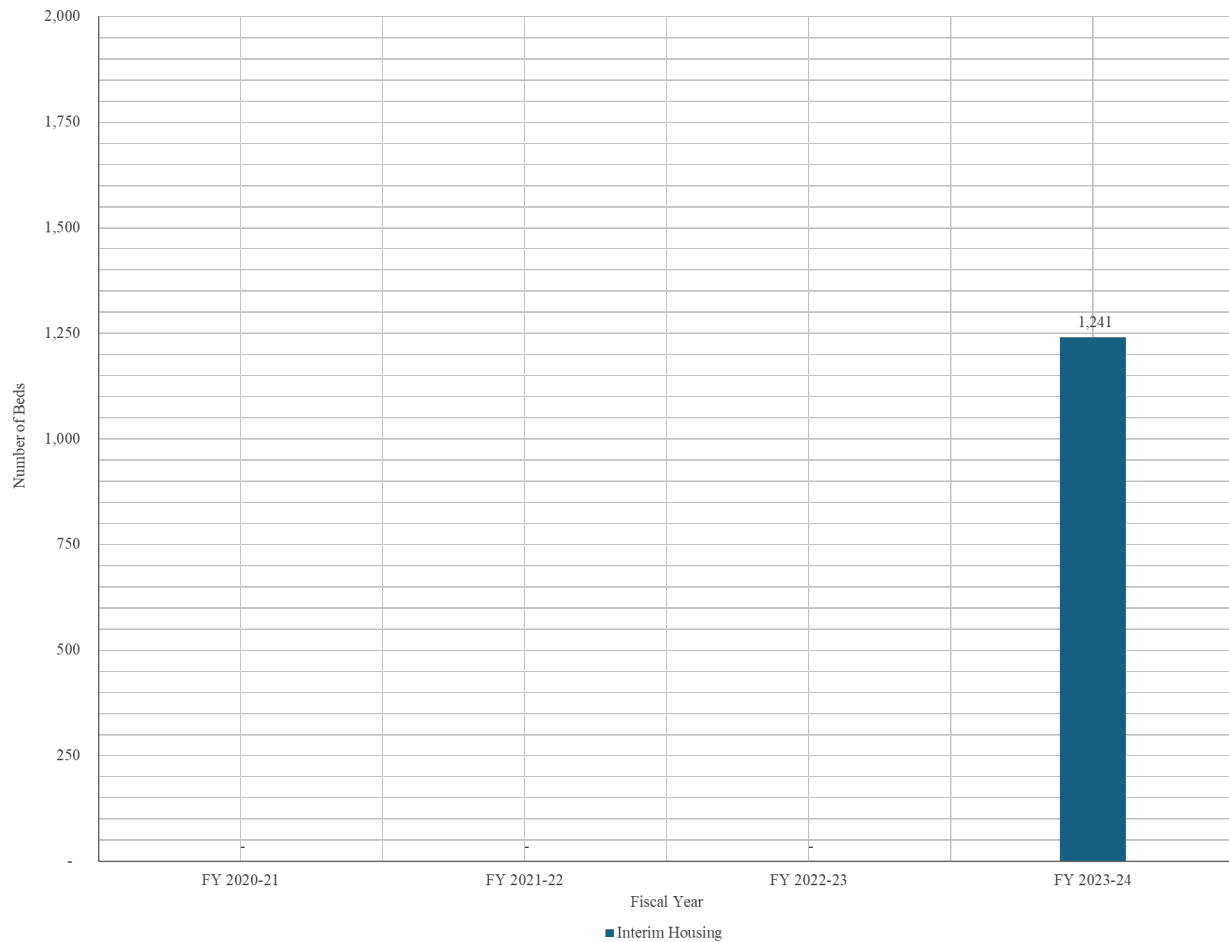
FIGURE 2.2

**Alliance Beds (Open and In-Process) by Type of Housing Intervention
 as of June 30, FY 2022-23 through FY 2023-24**



SOURCES: Dkt. 598 (Alliance Quarterly Status Report as of June 30, 2023); Dkt. 757 (Alliance Quarterly Status Report as of June 30, 2024)

Inside Safe Beds (Open) by Type of Housing Intervention as of June 28, 2024



SOURCES: City Data, Inside Safe Motel Occupancy Details; Inside Safe Occupancy Agreements for Hotels/Motels (from LA City Clerk Connect)

FIGURE NOTE: The “Number of Beds” represents the number of “Available” and “Occupied” rooms per City Data.

2.2. IDENTIFICATION OF SUBPROGRAMS, SERVICES, AND INTERSECTIONS WITHIN CITY PROGRAMS

Figure 2.4 outlines the subprograms within each of the City Programs.¹⁰⁴ The identification of these components was based on contracts and various documentation produced throughout this assessment. By documenting these subprograms and their interconnections, this section attempts to provide a general overview of the structural similarities and differences among each City Program.

FIGURE 2.4

Overview of the Structure of City Programs

		City Program		
Subprogram		Roadmap	Alliance	Inside Safe
Outreach	Homeless Engagement Team			
	Field Intervention Team			
	USC Street Medicine			
Emergency Shelter / Interim Housing	Emergency Response Program			
	Supplemental Hotel/Motel Vouchers			
	Crisis/Bridge Housing			
	A Bridge Home			
	Project RoomKey/HomeKey			
	Safe Parking			
	Safe Sleep			
	Tiny Home Village			
	Roadmap Interim Housing			
	Inside Safe			
Permanent Housing	Permanent Supportive Housing			
	Time-Limited Subsidy ¹⁰⁵			
	Housing Navigation			
	Landlord Incentives			

Key:

: This component appeared to be included in the City Program's design.

: This component did not appear to be included in the City Program's design

¹⁰⁴ Where collaborative efforts existed, such as the utilization of shared resources, they were viewed as operational support rather than programmatic overlap, unless formal funding or documentation indicated a more integrated relationship.

¹⁰⁵ Although “Time-Limited Subsidy” is referenced in Figure 2.4, the subprogram has historically been known by multiple names including Rapid Re-Housing, Recovery Re-Housing, Shallow Subsidy, Street to Subsidy and Bridge to Subsidy, across the Lookback Period. They appeared to be referenced generally by LAHSA under the umbrella of Time-Limited Subsidy.

2.2.1. OVERVIEW OF OUTREACH SUBPROGRAMS

Outreach services provided under the City Programs involved actively engaging unsheltered PEH to connect them with resources, services, and housing opportunities. This engagement was designed to build trust, conduct assessments, and facilitate access to housing, healthcare, and other services. Outreach was a critical first step in engaging PEH and linking them to the CES.

Homeless Engagement Team

The City funded various types of HETs through LAHSA: General, Comprehensive Cleaning and Rapid Engagement (“CARE”), Comprehensive Cleaning and Rapid Engagement Plus (“CARE+”)¹⁰⁶, and Roadmap.¹⁰⁷ The primary focus of HETs was “to undertake targeted engagement efforts that focus on moving unsheltered residents experiencing homelessness into crisis, bridge, and/or permanent housing utilizing a housing-first orientation with minimum eligibility criteria.”¹⁰⁸

The City represented that it had funded 41 HETs as of October 2023:

- 15 CARE+ HETs were focused on supporting CARE+ operations for each Council District,
- 13 CARE HETs were dedicated to providing outreach services for CARE citywide,
- 10 General HETs were deployed to target areas identified and prioritized by City Council offices, the public, and service requests from “lahop.org,” and
- 3 (type unknown) HETs were focused on specific geographic locations that covered Hollywood, the area surrounding City Hall, and the Boadway/110 corridor.¹⁰⁹

Additionally, the City appeared to have funded 15 Roadmap HETs that were dedicated to addressing encampments and PEH within 500 feet of freeway overpasses, underpasses, on-ramps, and off-ramps in their respective districts.¹¹⁰

Field Intervention Team

Specific to the Inside Safe Program, the Mayor’s Field Intervention Team (“FIT”) was a multidisciplinary group comprised of professionals with lived experience of homelessness, policy development, public health, community advocacy, and substance-use recovery.¹¹¹ This outreach team initiated engagement with PEH at identified encampments following a comprehensive site assessment.¹¹² Several of the encampments were present in local neighborhoods for over five years. To gain an understanding of the individuals residing in these encampments, the FIT professionals sought to collaborate with other outreach groups, including USC Street Medicine, LAHSA HET members, and various service providers, that may have previously engaged with the encampment.

¹⁰⁶ CARE/CARE+ operations are managed by the Los Angeles Bureau of Sanitation (sanitation.lacity.gov).

¹⁰⁷ Dkt. 677, Alliance Settlement Agreement, filed March 7, 2024, p. 72 of 209; City/LAHSA Roadmap Contract C-137223 (Amendment 17), p. 40 of 77.

¹⁰⁸ Dkt. 677, Alliance Settlement Agreement, filed March 7, 2024, p. 72 of 209.

¹⁰⁹ Dkt. 677, Alliance Settlement Agreement, filed March 7, 2024, pp. 68-72 of 209.

¹¹⁰ City/LAHSA Roadmap Contract C-137223 (Amendment 17), p. 40 of 77.

¹¹¹ City of Los Angeles, Inside Safe (<https://mayor.lacity.gov/InsideSafe>).

¹¹² City of Los Angeles, Inside Safe (<https://mayor.lacity.gov/InsideSafe>).

USC Street Medicine

The USC Street Medicine team provided a comprehensive range of services including street-based engagement, primary care, clinical supervision, and healthcare consultation.¹¹³ This initiative involved a team of physicians, advanced practice providers, nurses, outreach workers, and both clinical and administrative support staff, working in full-time and part-time capacities. Within the designated service region, the medical team actively conducted outreach and delivered healthcare services to PEH who were living on the street or in other temporary locations. Additionally, the team explored strategies and facilitated connections to social services and housing resources, aiming to address healthcare needs and improve the overall well-being of the homeless population.¹¹⁴

2.2.2. OVERVIEW OF EMERGENCY SHELTER AND INTERIM HOUSING SUBPROGRAMS

Across the Lookback Period within the City Programs, LAHSA identified “emergency shelter” as one category within the broader concept of “interim housing,” encompassing all short-term or temporary living arrangements. Consequently, various forms of temporary housing, including those specifically referenced as emergency responses, were commonly grouped under the umbrella of interim housing.

Generally, the primary goal of these subprograms was to offer a safe, trauma-informed, harm-reduction, low-barrier environment aligned with the Housing First model, enabling participants to work toward permanent housing solutions within a stable living environment.¹¹⁵ Required services often included case management, meals, connection to mainstream services or benefits, life skills training, and 24-hour bed availability.¹¹⁶

Emergency Response Program/Inclement Weather Program/Augmented Winter Shelter Program

The Emergency Response Program (“ERP”) was also referred to as the Inclement Weather Program or the Augmented Winter Shelter Program, depending on the time of activation.¹¹⁷ When activated between July 1 and October 31 or between April 1 and June 30, the subprogram was referred to as the “Inclement Weather Program.” When activated between November 1 and March 31, it was known as the “Augmented Winter Shelter Program.”¹¹⁸ Although the required services remained consistent across all program designations, the primary distinction related to the activation period.

This subprogram provided shelter during severe weather events or circumstances that posed an immediate danger to unsheltered PEH including but not limited to “severe cold, rain, heat, flooding and tropical storms.”¹¹⁹ While residing in these emergency shelters, services included but were not limited to meals, referrals to supportive services, and connection to permanent housing.¹²⁰

¹¹³ The USC C-141111 contract is directly administered and funded by the City. However, it is not exclusive to the Inside Safe Program. USC Street Medicine provides services to unsheltered PEH across the City of Los Angeles. Although the Inside Safe program is not explicitly referenced in the contract, available information indicates that it is included in the Inside Safe Program’s operations.

¹¹⁴ City/USC Care Medical Group Contract C-141111, pp. 7-8 of 36.

¹¹⁵ Sampled Service Provider Contract Review, Scope of Required Services [Multiple].

¹¹⁶ Ibid.

¹¹⁷ LAHSA, 2024 Emergency Response Program/Inclement Weather Program/Augmented Winter Shelter Program/ RFP [No Date Available], p. 4 of 16.

¹¹⁸ LAHSA, 2024 Emergency Response Program/Inclement Weather Program/Augmented Winter Shelter Program/ RFP [No Date Available], p. 4 of 16.

¹¹⁹ Ibid.

¹²⁰ LAHSA, 2024 Emergency Response Program/Inclement Weather Program/Augmented Winter Shelter Program/ RFP [No Date Available], pp. 2-3 of 16.

Supplemental Hotel/Motel Vouchers

Hotel/motel vouchers¹²¹ served as a temporary and emergency shelter resource by providing accommodation in hotels or motels for unsheltered PEH.¹²² This intervention aimed to offer participants a measure of stability while facilitating ongoing efforts to identify, secure, and maintain permanent housing.¹²³

Additionally, supplemental hotel/motel vouchers may have been integrated into existing outreach programs, providing a comprehensive range of stabilization services such as case management and additional supportive services. These vouchers were also eligible for distribution through centralized referral systems (e.g., 211 LA County).

(Crisis/Bridge) Housing for Adult Programs

(Crisis/Bridge) Housing for Adults Programs was a subprogram that aimed to assess participants' needs and connect them to resources to resolve their homeless situation.¹²⁴ This subprogram was further characterized as a short-term, 24-hour emergency shelter intervention offering a secure environment for individuals while they were assessed and connected to more permanent housing options. Resource referrals and case management were integral services accessible to all participants.¹²⁵

(Crisis/Bridge) Housing for Adult Programs offered beds in a single-site location, with sleeping accommodations arranged in multiple rooms or within a congregate dormitory setting.¹²⁶ The use of bunk beds was permitted; however, the service providers were expected to develop and implement policies and procedures to ensure accessibility for all participants.¹²⁷ Sleeping areas were assigned based on gender identity; alternatively, the subprogram may be designated to serve a specific gender (typically referred to under a different subprogram name such as Enhanced Bridge Housing for Women).¹²⁸

A Bridge Home

A Bridge Home was a subprogram introduced under former Los Angeles Mayor Eric Garcetti in response to the City's declaration of a shelter crisis in April 2018.¹²⁹ According to the Scope of Required Services ("SRS"), this subprogram adhered to the requirements of the (Crisis/Bridge) Housing for Adults Program unless otherwise specified.¹³⁰ The (Crisis/Bridge) Housing for Adults Program SRS remained in effect unless exceptions were noted, and in the event of a conflict, A Bridge Home SRS took precedence.¹³¹

¹²¹ Under the Roadmap-named contract between LAHSA and the City of Los Angeles (C-137223), funding was allocated to miscellaneous services that may not be tied to individuals enrolled in the housing interventions created under the Roadmap Program. This reflects the Roadmap Program's complex funding structure, where certain activities or services may address tangential needs that were not directly aligned with the housing interventions established under the Roadmap Program. While these services may have indirectly supported the Roadmap Program's core purpose, they nonetheless represent an ancillary component of its funding.

¹²² City/LAHSA Roadmap Contract C-137223 (Amendment 17), p. 73 of 77.

¹²³ Ibid.

¹²⁴ Sampled Service Provider Contract Review, (Crisis/Bridge) Housing for Adult Programs Scope of Required Services.

¹²⁵ Ibid.

¹²⁶ Ibid.

¹²⁷ Ibid.

¹²⁸ Service Provider Contract Review, (Crisis/Bridge) Housing for Adult Programs Scope of Required Services, Appendix - Enhanced Bridge Housing for Women.

¹²⁹ Mayor Garcetti Executive Directive No. 24, Building "A Bridge Home," Issue Date May 30, 2018, p. 1 of 6.

¹³⁰ Sampled Service Provider Contract Review, A Bridge Home Scope of Required Service

¹³¹ Ibid.

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Project RoomKey/HomeKey

In March 2020, the County and the City declared a public health emergency due to COVID-19.¹³² To address the needs of vulnerable PEH and combat the spread of COVID-19, local leaders launched Project RoomKey, later evolving into Project HomeKey.¹³³ This subprogram offered hotel or motel accommodations to provide temporary housing for asymptomatic PEH who were at high risk for severe illness, including those aged 65 or older or with underlying health conditions such as respiratory issues or chronic diseases.¹³⁴ The subprogram was designed to provide short-term housing while working on removing participants' barriers in an effort to resolve their housing crisis.¹³⁵

Safe Parking

The Safe Parking subprogram offered a secure and stable parking environment for individuals experiencing vehicular homelessness.¹³⁶ In addition, this subprogram facilitated client entry into the CES, provided housing-focused case management, and connected participants to Housing Navigation services within the homelessness response system.¹³⁷ All services were designed with the ultimate goal of achieving permanent housing.

Safe Sleep

The Safe Sleep subprogram was a 24-hour "residence" that provided outdoor tent spaces for individuals to safely sleep in their tents with their personal belongings that fit in their designated area.¹³⁸ This subprogram aimed to "mitigate the risks of living in an encampment by providing on-site security, case management, laundry services, showers, bathrooms, and meals."¹³⁹ This subprogram focused on assessing participants' needs and connecting them to housing resources with the ultimate goal of achieving permanent housing.

Tiny Home Village

The Tiny Home Village subprogram functioned within designed pallet shelters in a 24-hour supportive community for PEH.¹⁴⁰ Tiny Home Village sites were identified by the City. Each unit typically ranged from 64 to 100 square feet.¹⁴¹ The subprogram focused on assessing participants' needs and connecting them to a comprehensive range of resources in an effort to resolve their homelessness as efficiently as possible.¹⁴² The primary objective of the supportive services provided was to facilitate participants' access to permanent housing with obtaining documents needed to become "document ready."¹⁴³

Roadmap Interim Housing

The Roadmap Interim Housing subprogram provided a 24-hour supportive environment for PEH. This subprogram focused on assessing and connecting participants to a broad range of resources in an effort to resolve their homelessness situation as quickly as possible.¹⁴⁴ The primary objective of the supportive

¹³² Sampled Service Provider Contract Review, Project Homekey Interim Housing Program Scope of Required Services.

¹³³ Ibid.

¹³⁴ Ibid.

¹³⁵ Ibid.

¹³⁶ Sampled Service Provider Contract Review, Safe Parking Scope of Required Services.

¹³⁷ Ibid.

¹³⁸ Sampled Service Provider Contract Review, Safe Sleep Scope of Required Services.

¹³⁹ Ibid.

¹⁴⁰ Sampled Service Provider Contract Review, Tiny Home Village Scope of Required Services.

¹⁴¹ Ibid.

¹⁴² Sampled Service Provider Contract Review, Tiny Home Village Scope of Required Services.

¹⁴³ Ibid.

¹⁴⁴ Sampled Service Provider Contract Review, Roadmap Interim Housing Scope of Required Services.

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services was to facilitate participants access to permanent housing with obtaining documents needed to become “document ready.”¹⁴⁵

Inside Safe

The Inside Safe subprogram, introduced under Los Angeles Mayor Bass, focused on supportive services at motel or hotel accommodations for unsheltered PEH from specific encampment locations within the City.¹⁴⁶ The primary objective of the supportive services was to obtain identification and other documents needed for permanent housing and resource linkages.¹⁴⁷ The service provider was required to oversee and promote safety for participants and staff.¹⁴⁸ Additionally, the service provider was expected to provide oversight at motels and “have standard operating procedures to ensure the safety of all residents and community members surrounding motels as necessary per individual hotel/motel site and provider arrangement with the hotel/motel.”¹⁴⁹ Case management services were to be provided onsite during posted regular business hours and available to meet participants’ needs.¹⁵⁰

2.2.3. OVERVIEW OF PERMANENT HOUSING SUBPROGRAMS

Permanent housing was intended as a long-term, stable solution for individuals and families transitioning from homelessness. In practice, it typically involved housing or time-limited rental or leasing subsidies supplemented by case management services. The primary goal was to promote independence and stability, with minimal barriers to entry.

Permanent Supportive Housing

PSH combined long-term rental subsidies with supportive services to promote housing stability and improve overall well-being for PEH.¹⁵¹ PSH was designed for participants with a disability to maintain independent housing and provide ongoing assistance that included case management, life skills training, employment support, and linkages to healthcare or mental health services.¹⁵² By offering a stable and secure housing environment alongside individualized support, PSH aimed to create a sustainable pathway toward independence, reduce the risk of returning to homelessness, and ultimately contribute to more enduring housing solutions within the community.

Time-Limited Subsidy

The Time-Limited Subsidy (“TLS”) subprogram offered case management and financial support, including rental subsidies, for up to 24 months. Using a progressive assistance model, case managers collaborated with participants to secure and maintain stable housing in the private rental or affordable housing market, depending on availability.¹⁵³ These subsidies served PEH who did not require more intensive support offered by PSH.

¹⁴⁵ Ibid.

¹⁴⁶ City of Los Angeles, Inside Safe (<https://mayor.lacity.gov/InsideSafe>).

¹⁴⁷ Sampled Service Provider Contract Review, Inside Safe-Interim Housing Scope of Required Services.

¹⁴⁸ Ibid.

¹⁴⁹ Ibid.

¹⁵⁰ Ibid.

¹⁵¹ LAHSA, Scope of Required Services COC Permanent Supportive Housing FY 2023-24, updated March 20, 2023, p. 1 of 20.

¹⁵² Ibid., pp. 1-8.

¹⁵³ Service Provider Contract Review, Time-Limited Subsidy Scope of Required Services; LAHSA, Time-Limited Subsidy (TLS) Programs, webpage published September 23, 2022 (updated December 18, 2024).

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During the Lookback Period, Rapid Re-Housing and Recovery Re-Housing were both considered forms of TLS, and Shallow Subsidy or Street to Subsidy also appeared to be included under that umbrella.¹⁵⁴ LAHSA consolidated various time-limited assistance models into the broader TLS framework.¹⁵⁵

Housing Navigation

Housing Navigation (“HN”) functioned as a supportive service for permanent housing placement for PEH in locations identified by LAHSA.¹⁵⁶ It was not considered a type of housing intervention; rather, it was a supportive service modality providing dedicated assistance to participants to secure and transition into permanent housing.¹⁵⁷ This subprogram encompassed a range of activities, including comprehensive housing search plans, assistance with landlord outreach, coordination of required documentation, and support with completing rental applications.¹⁵⁸ HN aimed to provide tailored case management to address participants’ unique barriers, ensuring that participants not only secure a suitable housing unit but also receive the ongoing support needed to maintain their tenancy.¹⁵⁹ By streamlining and systematizing the process, HN sought to help improve access to permanent housing options, enhance overall housing stability, and promote long-term well-being for those served.

Landlord Incentives

The Landlord Incentives¹⁶⁰ subprogram provided incentives and bonuses to eligible landlords. These incentives were disbursed as risk mitigation funds, which could be used to cover property damages and/or vacancy losses during tenancy, thereby ensuring households maintain their housing stability.

¹⁵⁴ LAHSA, Time-Limited Subsidy (TLS) Programs, webpage published September 23, 2022 (updated December 18, 2024).

¹⁵⁵ Ibid.

¹⁵⁶ Service Provider Contract Review, Housing Navigation Scope of Required Services.

¹⁵⁷ Ibid.

¹⁵⁸ Ibid.

¹⁵⁹ Ibid.

¹⁶⁰ Under the Roadmap-named contract between LAHSA and the City of Los Angeles (C-137223), funding is allocated to miscellaneous services that may not be tied to individuals enrolled in the housing interventions created under the Roadmap Program. This reflects the Roadmap Program’s complex funding structure, where certain activities or services may address tangential needs that are not directly aligned with the bed infrastructure of the Roadmap Program. While these services may indirectly support the Roadmap Program’s core purpose, they nonetheless represent an ancillary component of its funding.

SECTION 3

Financial Assessment

3.1 BACKGROUND ON THE CITY’S FINANCIAL AND ACCOUNTING PROCESSES

Each year, the City prepares an annual budget projecting revenues and expenditures for the upcoming fiscal year, which runs from July 1 through June 30.¹⁶¹ As part of this budget process, City departments submit budget requests that the Mayor reviews and includes in the Mayor’s Proposed Budget. The City Council subsequently collaborates with the Mayor and other City personnel to review, modify, and approve the budget, resulting in the final Adopted Budget.

The City employs fund accounting, a system commonly used by municipalities, to track financial resources based on their intended purpose. The General Fund is used for the majority of City services, such as general government services, public safety, and sanitation. The General Fund revenues are sourced through various taxes, fees, and other mechanisms levied by the City. Revenues recorded in the General Fund are available for discretionary use by the City.

The City also uses Special Funds to account for “revenues derived from specific taxes, fees, governmental grants, or other revenue sources that are designated to finance particular functions and activities of the City.”¹⁶² Compared to the General Fund, the City typically has less discretion regarding the use of Special Funds and must comply with their intended use. For example, the “Home Investment Partnerships Program Fund” is a federal grant with the objective to expand the supply of affordable housing; therefore, the City must ensure those revenues (which would be held in a Special Fund) are spent in adherence with the relevant guidelines.¹⁶³ This framework ensures that the City appropriates and monitors resources responsibly, adhering to both broad policy goals and legally binding funding restrictions.

3.2 A&M APPROACH TO FINANCIAL ASSESSMENT

A&M’s financial assessment focused on determining the amount of funds – both General Funds and Special Funds¹⁶⁴ – expended by the City to support all aspects of the City Programs. This included funds directly expended by the City, as well as funds passed through LAHSA. A&M also evaluated the contractual invoicing and payment processes in place between the City and LAHSA, and between LAHSA and service providers. Further, A&M conducted detailed analyses of service provider expenses for the sampled sites in an effort to provide transparency regarding the final allocation of City funds.

To further these objectives, A&M interviewed various City and LAHSA stakeholders to understand the funding structures in place for the City Programs. Further, A&M relied upon public reporting of funds allocated and expended for the City Programs and documents produced by the City and LAHSA, including

¹⁶¹ City of Los Angeles 2023-24 Adopted Budget, pp. 159-165 of 626 .

¹⁶² Ibid., p. 165 of 626.

¹⁶³ Ibid., p. 440 of 626.

¹⁶⁴ While Special Funds were subject to specific guidelines and regulations set by the funder, this assessment did not examine whether the requirements were fully met, as such a review fell outside the defined scope of this engagement.

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accounting data produced to A&M for the purposes of this assessment, to inform A&M's approach for quantifying funds spent under the City Programs.

A&M attempted to quantify the total amount expended by the City for the City Programs. However, from an accounting perspective, the City Programs were not tracked in a way that allowed for expenses – specifically those incurred directly by the City to create the infrastructure for beds – to be analyzed in a comprehensive manner. The City explained that various different sources of funds, departments, and appropriation accounts were involved in administering the City Programs¹⁶⁵ and there was no centralized cost center¹⁶⁶ or accounting mechanism that could be utilized to extract all expenses specific to a City Program.¹⁶⁷ Employing the use of cost centers is not required under accounting standards, and therefore does not necessarily represent a gap in the City's accounting policies; instead, in the context of this assessment, the lack of a cost center posed a challenge when attempting to aggregate all expenses related to the City Programs.

The City's approach to budgeting for homelessness-related expenditures was evident in the annual "Homeless Budget" included within the City's Adopted Budget, amounting to a total of \$3.6 billion dollars from Fiscal Year 2020-21 through Fiscal Year 2023-24. In FY 2023-24, approximately \$1.3 billion was allocated to the Homeless Budget. Of the City Programs, the Inside Safe Program was the only effort distinctly budgeted for; otherwise, the City's Homeless Budget was primarily delineated by the department expending funds (from the General Fund) or the source of Special Funds available to support homelessness-related initiatives.¹⁶⁸ A&M worked with the City Administrative Officer ("Office of the CAO" or "CAO") to identify relevant budgeted line items for the City Programs.¹⁶⁹ For the line items identified, the funding occasionally supported overlapping initiatives. For example, Homeless Housing, Assistance and Prevention Program grants (budgeted for \$143.6 million) were slated to support both construction and operating costs for the Roadmap Program and Alliance Program. Further, the same grant funding also supported overlapping initiatives not only between the City Programs, but also for "Other Homelessness Programs." Also to note, a portion of funding allocated in the Homeless Budget relates to internal City personnel who support a variety of homelessness activities; because these administrative efforts are not tracked by Program, A&M did not quantify expenses for internal City personnel.

A&M also discussed the Homeless Budget with the City's Controller's Office during which they described difficulty in tracking amounts against the Homeless Budget, and that much of the tracking is dependent on the respective City departments to 'flag' homelessness-related expenditures.¹⁷⁰ Subsequent to this discussion, in November 2024, the LA Times reported that the City Controller Kenneth Mejia published findings revealing that over \$500 million of the \$1.3 billion Homeless Budget in FY 2023-24 was left unallocated or unspent.¹⁷¹ The CAO responded to Controller Mejia's findings, clarifying that some of the budgeted amounts relate to multiyear grants not intended for expenditures within a single fiscal year.¹⁷² This recent discourse surrounding the Homeless Budget provides insight into the complexities of tracking all homelessness-related spending within the City itself.

¹⁶⁵ Interview with the Office of the CAO on June 12, 2024, and October 8, 2024.

¹⁶⁶ An accounting method employed to manage expenses related to a specific department or function.

¹⁶⁷ Interview with City Controller's Office on July 26, 2024.

¹⁶⁸ City of Los Angeles 2023-24 Adopted Budget, p. 122 of 626.

¹⁶⁹ CAO, Homeless Budget Review, dated July 25, 2024.

¹⁷⁰ Interview with City Controller's Office on July 26, 2024.

¹⁷¹ Nearly half of L.A.'s record homelessness budget went unspent, city controller finds by Doug Smith, LA Times, dated November 21, 2024, <https://www.latimes.com/california/story/2024-11-21/nearly-half-of-los-angeles-homelessness-budget-went-unspent-controller-finds>

¹⁷² Ibid.

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In summary, based on discussions with City personnel and the accounting data received, A&M was not able to quantify the total amount spent by the City for each component of the City Programs. A&M was reliant on the accounting data provided by the City and LAHSA, and because the City and LAHSA were unable to accurately identify all relevant expenses under the City Programs, A&M's analysis was limited to the information provided. Accordingly, based on the structure of accounting records maintained by the City and LAHSA, in instances where A&M was unable to systematically trace or quantify expenditures for the entirety of a City Program (or component of a City Program), or when aggregate analyses were impractical for the measure being assessed, A&M utilized a smaller population of sampled sites¹⁷³ under the City Programs to perform in-depth reviews of financial data. Additionally, when actual expenditures were not quantified in aggregate, A&M quantified appropriated or committed funds for the respective City Program component.

See Appendix A for a summary of funding, including appropriations, commitments, or spending that A&M identified related to the City Programs across the Lookback Period, amounting to approximately \$2.3 billion. This amount includes capital costs for the creation of interim housing and permanent supportive housing beds, rent or lease expenses for interim housing beds, funding for time-limited subsidies, and supportive service expenses passed through LAHSA, as will be discussed further in the following section of the report.

3.3 OVERVIEW OF FUNDING PROCESS FOR CITY PROGRAMS

Based on A&M's review of documentation for the City Programs, funding for the City Programs can be described within four broad categories:

- Interim Housing,
- Supportive Services,
- TLS subprogram, and
- PSH.

Across the Lookback Period, the City managed funding for interim housing sites, supportive services, TLS, and PSH through different oversight structures. The sections below generally describe the types of costs that were necessary to operate interim and permanent supportive housing within the City, as well as the City departments or other stakeholders responsible for managing the expenditures.

3.3.1. INTERIM HOUSING

Interim Housing sites within the City were managed through the Office of the CAO.¹⁷⁴ The CAO acts as the financial advisor to the Mayor and the City Council and provides recommendations and advice regarding the fiscal condition of the City.¹⁷⁵ The CAO is also responsible for directing the administration of the Adopted Budget.

Regarding shelter and housing interventions, the CAO has knowledge of all available funding sources within the City and determined which revenue source(s) were utilized to support specific housing

¹⁷³ See Appendix B.

¹⁷⁴ Interview with the Office of the CAO on June 12, 2024.

¹⁷⁵ City Administrative Officer, City of Los Angeles (<https://cao.lacity.gov/caoabout.htm>).

projects.¹⁷⁶ This determination included assessing the intended use of certain Special Funds (including grant funds received by the state and federal government) and allocating those funds accordingly.

Payment for the use of physical locations to provide interim housing may have taken several different forms depending on the entity that owned the land. Firstly, the City may own the land on which the interim housing site was located. If the land needed to be purchased, the CAO was responsible for managing the approval process of proposed interim housing sites (typically introduced by the City Council), and the subsequent acquisition, approval of funding source, and allocation for the start-up costs of the site.¹⁷⁷ These initial, one-time costs for acquiring, constructing, or improving physical assets, which were utilized as interim housing, are generally referred to as “capital costs.”

Secondly, the City may also directly pay motels and hotels for rooms used as interim housing, or pay rent or lease payments for other interim housing interventions (e.g., ABH). The City’s General Services Department (“the GSD”), generally, assumed management of lease agreements or contracts and made payments to the owner of the property.¹⁷⁸ As will be discussed further, payments for hotels and motels under the Inside Safe Program were not managed by GSD, and instead were authorized for payment by the CAO and Mayor’s Office.^{179, 180} These recurring expenditures that are necessary for day-to-day operations (such as nightly rental or lease payments for the interim housing sites and other service provider costs associated with the interim housing) are referred to as “operating costs.”

Lastly, some service providers entered into rental or lease agreements and paid rent directly for the buildings they occupied for the interim housing interventions established under the City Programs. In these instances, the rent payments were included in the invoices that the service provider submitted to LAHSA for reimbursement of operating expenses.

3.3.2. SUPPORTIVE SERVICES (LAHSA)

Service providers supporting the City Programs were managed through the City’s contracts with LAHSA. These contracts also specified supportive services provided directly by LAHSA, such as LAHSA HETs (outreach teams), rather than particular service providers. The City authorizes the Los Angeles Housing Department (“LAHD”) primary responsibility for managing and overseeing the City’s contracts with LAHSA.¹⁸¹ Any funds appropriated by the CAO for LAHSA-managed supportive services were first appropriated to LAHD before payment was made to LAHSA.¹⁸²

The City’s contracts with LAHSA were typically structured based on primary funding sources. For example, the City had an annual General Fund contract with LAHSA to provide funding for basic CoC administrative services, among other items. As it related to the City Programs, the City and LAHSA established “named” contracts related to the Roadmap and Alliance Programs (“Program-Named LAHSA Contracts”). Inside Safe was embedded within the City’s General Fund Contract, specifically C-140706 (“General Fund LAHSA Contract”). LAHSA then subcontracted with service providers that performed the required services.

¹⁷⁶ Interview with the Office of the CAO on June 12, 2024.

¹⁷⁷ Ibid.

¹⁷⁸ Interview with the Office of the CAO on October 8, 2024.

¹⁷⁹ Homelessness Emergency Account - General City Purposes Fund Seventeenth Status Report (C.F 22-1545) as of Sunday, June 30, 2024, and Funding Recommendations, dated June 30, 2024, p. 8 of 42.

¹⁸⁰ With the exception of the LA Grand.

¹⁸¹ Interview with the Office of the CAO on June 12, 2024; LAHSA Oversight Policies & Procedures, revised September 2024.

¹⁸² Interview with the Office of the CAO on June 12, 2024.

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As part of the initial data request issued to LAHSA, A&M requested exports from LAHSA's contract management system (or other comprehensive list/tracking document) of all contracts executed with service providers for provision of services under the City Programs within A&M's Lookback Period. In response to this request, LAHSA produced a list of 139 unique contracts.¹⁸³

Separately, A&M requested general ledger accounting data from LAHSA that was inclusive of all revenues and expenses related to the City Programs. LAHSA produced multiple iterations of this accounting data, including a chart of accounts that allowed A&M to link the expense line detail for the City Programs to service provider contracts. Using the accounting data, A&M identified 215 unique service provider contracts that incurred expenses related to the City Programs across the Lookback Period.

Upon identifying discrepancies between the list of relevant service provider contracts for the City Programs and the accounting data produced by LAHSA, A&M requested that LAHSA identify the corresponding service provider contract for each site listed on the Quarterly Reports, including those that had closed. The crosswalk that LAHSA provided included 191 unique service provider contracts.¹⁸⁴

In summary, each set of contract listings derived from the above data requests included different service provider contracts. Although there was some overlap among the lists, each list contained missing or additional contracts, resulting in discrepancies across all sources. Therefore, A&M never received a definitive list of the relevant service provider contracts under the City Programs.

To quantify City expenditures for services under each City Program, A&M relied on LAHSA's accounting data. Specifically, A&M quantified expenses incurred by service providers and invoiced to LAHSA for service provider contracts encompassed under the City Programs, based on LAHSA's mapping of expense data to the City Programs. A&M also relied on LAHSA's accounting data to summarize internal LAHSA administrative or operating expenses.

3.3.3. TIME-LIMITED SUBSIDIES

As previously discussed, the TLS subprogram offered case management and financial support, including rental or leasing subsidies, for up to 24 months. As compared to other types of housing interventions, the rental subsidy was, generally, not tied to a specific location and, instead, allowed participants to collaborate with case managers and Housing Navigators to secure and maintain stable housing in the private rental or affordable housing market, depending on availability.¹⁸⁵ Similar to other supportive services provided at non-PSH housing interventions, TLS was managed through service provider contracts with LAHSA.

During the Lookback Period, Rapid Re-Housing and Recovery Re-Housing were both considered forms of TLS, and Shallow Subsidy or Street to Subsidy also appeared to be included under that umbrella.¹⁸⁶ LAHSA consolidated various time-limited assistance models into the broader TLS framework.¹⁸⁷ While the name

¹⁸³This list appeared to also contain contract codes for vendors that provided services directly to LAHSA.

¹⁸⁴ Excluding Inside Safe, as this contract listing was based on the Roadmap and Alliance Program Quarterly Reports. However, the service provider contracts identified for the Roadmap and Alliance Programs did not align with those on the other contract lists.

¹⁸⁵ LAHSA, Scope of Required Services (SRS) Time Limited Subsidy, updated April 20, 2023; LAHSA, Time-Limited Subsidy (TLS) Programs, webpage published September 23, 2022 (updated December 18, 2024).

¹⁸⁶ LAHSA, Time-Limited Subsidy (TLS) Programs, webpage published September 23, 2022 (updated December 18, 2024).

¹⁸⁷ Ibid.

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and requirements indicate a time-limit to the support provided under the TLS subprogram, LAHSA considered TLS a form of permanent housing.

3.3.4. PERMANENT SUPPORTIVE HOUSING

As part of the City Programs, the City also provided funding for PSH units. Funding structures for PSH were complex and involved numerous levels of government involvement and oversight.¹⁸⁸ Each PSH project had both public and private entities involved in the acquisition, development (construction), and operation of the property. The City's role, managed by LAHD, was to act as a lender to the developers in order to fund the creation of PSH units. The City did not own PSH properties; instead, a private developer typically owned the properties under the City Programs.¹⁸⁹

Affordable housing projects were supported by tax credit programs to encourage private investment. The California Tax Credit Allocation Committee ("CTCAC") administered the tax credit program and offered two types of federal tax credits generally referred to as nine percent (9%) and four percent (4%) credits. The 9% tax credits were awarded on a competitive basis, while 4% tax credits were linked to a project's use of tax-exempt bond authority. Although CTCAC awarded the credits to the project developer, the tax credits were typically sold to corporate or individual investors. The proceeds of that sale were treated as equity invested to support the PSH project. As part of these transactions, the City acted as the conduit for the tax-exempt bonds or tax credits.¹⁹⁰

Additionally, for a PSH project to be funded, typically both the City and the Housing Authority of the City of Los Angeles ("HACLA") had to approve the project.¹⁹¹ When the City financed a PSH project, property records restricted use of a certain number of units for PSH.¹⁹² HACLA awarded project-based housing vouchers to the developer, which guaranteed that a building would receive rent for PSH units as long as qualified tenants occupied the unit(s). Project-based housing vouchers remained with the unit, whereas tenant-based vouchers moved with the individual(s). HACLA project-based vouchers were awarded in 10-year intervals, although renewal is seldom denied for a building. This guaranteed unit income helped qualify the developer for conventional loans needed for construction and permanent financing.¹⁹³

The City provided developers with direct funding structured as loans. Across the Lookback Period, the City committed mostly Proposition HHH funding to PSH properties. Proposition HHH was approved by voters in November 2016 and authorized the City to issue up to \$1.2 billion in bonds to finance the development of PSH.¹⁹⁴

While City funding provided to developers was structured as debt financing to comply with regulations surrounding tax-exempt bonds, the City did not expect to recoup the funding due to low operating margins at PSH properties.¹⁹⁵

¹⁸⁸ Interview with LAHD Development & Financing on November 18, 2024.

¹⁸⁹ Interview with LAHD Development & Financing on November 18, 2024.

¹⁹⁰ California Tax Credit Allocation Committee Program Overview, California State Treasurer (<https://www.treasurer.ca.gov/ctcac/program.pdf>).

¹⁹¹ Interview with LAHD Development & Financing on November 18, 2024.

¹⁹² Email from the Office of the CAO, dated January 28, 2025.

¹⁹³ Interview with LAHD Development & Financing on November 18, 2024.

¹⁹⁴ LA Times, L.A. votes to spend \$1.2 billion to house the homeless. Now comes the hard part, published November 9, 2016.

¹⁹⁵ Interview with LAHD Development & Financing on November 18, 2024.

3.4 ROADMAP PROGRAM APPROPRIATIONS AND EXPENDITURES

On July 1, 2020, \$100 million of COVID-19 Federal Relief Funds received by the City from the federal government was initially reserved to implement the Roadmap Program,¹⁹⁶ with the City Council approving initial funding for the Roadmap Program on September 9, 2020.¹⁹⁷ Subsequently, the status of Roadmap housing interventions (excluding PSH) were reported within *Roadmap Funding Recommendation Reports* (“Funding Recommendations”) issued by the CAO to the City Council. The Funding Recommendations approved and appropriated costs for interim housing interventions, including capital, improvement, and operational expenditures, as well as TLS. The Funding Recommendations report only approved amounts (i.e., budgeted amounts) and do not report on actual funds expended to support the Roadmap Program. Twenty-four Funding Recommendations had been issued as of June 30, 2024.¹⁹⁸

Funds were appropriated for capital and operating costs. As previously described, capital costs represent one-time investments into land, construction, acquisition, or other building improvements necessary to open interim housing sites. Operating costs generally include monthly lease payments for interim housing sites (managed by GSD) or service provider costs managed through LAHSA. Amounts were also appropriated specifically for the TLS program, Housing Navigation services, and City and LAHSA administrative costs for administering the Roadmap Program.

From the inception of the Roadmap Program through June 30, 2024, approximately \$829 million was appropriated to support the Program’s interim housing solutions.¹⁹⁹ This appropriation was inclusive of the amount appropriated for LAHSA-managed service providers and TLS under the Roadmap Program.

In addition to interim housing appropriations and TLS, there were 16 PSH locations included in the bed count under the Roadmap Program.²⁰⁰ In total, \$105.8 million in City funds appear to have been committed to PSH projects included under the Roadmap Program, with the majority sourced from Proposition HHH.²⁰¹

3.4.1. ROADMAP CAPITAL AND OPERATING APPROPRIATIONS (EXCLUDING PSH)

The Funding Recommendations include detailed information for each interim housing site, specifying the funding source, the City department receiving the funds, and the specific account to which the funds were allocated.

As an example, information outlined in Funding Recommendations may take the following form:²⁰²

“Transfer \$4,974,900 for the construction of a Tiny Home Village with 109 beds at 2301 West 3rd Street in Council District 13 from the following accounts:

¹⁹⁶ Proposed Strategy and Funding Recommendations on COVID-19 Homelessness Roadmap, dated August 5, 2020.

¹⁹⁷ Twenty Fourth Report: COVID-19 Homelessness Roadmap Funding Recommendations, dated May 31, 2024.

¹⁹⁸ Ibid.

¹⁹⁹ The Funding Recommendations are typically provided by specific site location (site address and/or site name). A&M compared the list of sites on the Funding Recommendations to the list of Interim Housing Sites included in Q4 2024 Roadmap Quarterly Report and found several inconsistencies; however, A&M deemed the discrepancies to be immaterial.

²⁰⁰ There was one location included in the bed count that was not provided in the financing data. Additionally, there was one location (the Pano) included in the financing data this is undergoing conversion from Project Homekey (as captured on the Roadmap bed counts) to permanent supportive housing.

²⁰¹ Due to the long lead time in developing PSH, all committed funds are summarized above, regardless of whether the initial commitment fell within the Lookback Period.

²⁰² Sixth Report: COVID-19 Homelessness Roadmap Funding Recommendations, dated May 20, 2021, Item No. 4.

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- \$10,000 from HHAP Grant Special Fund No. 62Y, Account No. 10S650, HHAP Category 1 – A Bridge Home Capital to the Fund No. 62Y, Department No. 10, account number to be determined; and
- \$4,964,900 from the Additional Homeless Services General City Purposes Fund No. 100/56, Account No. 000931 to Capital Improvement Expenditure Program Fund No. 100/54, a new account entitled, ‘CD 13 3rd Street Pallet Shelters.’”

Funding Recommendations also included a matrix titled *Attachment 1: COVID-19 Homelessness Roadmap Status of Capital and Operating Funding* (“*Attachment 1*”); this matrix summarized and provided a comprehensive history of funding amounts by Roadmap site, type of unit/intervention, type of funding (generally, operating versus capital), source of funds, and fiscal year.²⁰³

Over 20 Funding Recommendations were issued throughout the Lookback Period, and each Funding Recommendation contained new funding approvals, reductions or reallocations of previous appropriations, or transfers between accounts. A&M attempted to verify the total amount of appropriations reported in *Attachment 1* to the Funding Recommendations. However, because there was no centralized City department, funding source, or cost center that could have been singularly used to monitor Roadmap appropriations, it was a time-consuming process to retroactively reconstruct all appropriation activity for each specific interim housing site established under the Roadmap Program; therefore, undertaking such an extensive effort was not considered practical by A&M given the parameters conveyed by the Court and resources budgeted for assessment.

Nonetheless, A&M conducted analyses and derived findings on the assumption that amounts reported by the City within *Attachment 1* to the Funding Recommendations were accurate.²⁰⁴ To be clear, A&M did not conclude that the summarized appropriations were incorrect; instead, this process simply reflects the complexity of the accounting mechanisms and record keeping in place for management of the Roadmap Program.

A&M summarized the appropriated funds for Roadmap Program interventions by the following categories utilizing *Attachment 1* to the 24th Funding Recommendation:²⁰⁵

- Source of Funds,
- Funding Category (generally, operating versus capital), and
- Type of Subprogram (type of unit/intervention).

Funding for Roadmap housing sites was sourced from local, state, and federal funds, described below:

County

Under the Roadmap MOU between the City and the County for the Roadmap Program, the County provided \$53 million to the City for the first year of the program and up to \$60 million per year for years two through

²⁰³ Funding amounts dependent on the most recent Funding Recommendation’s approval by City Council.

²⁰⁴ A&M noted that certain sources of funding (e.g., State Homekey Operating Subsidy) and certain other subtotal amounts were excluded from the grand total appropriations on Attachment 1. For the purposes of this Report, A&M summed all recorded appropriated funds through June 30, 2024.

²⁰⁵ Office of the Office of the CAO Data, Attachment 1 to Roadmap Reports (CF 20-0841).

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five (ending in FY 2024-25) for an approximate total of \$300 million.²⁰⁶ The County supported the Roadmap MOU with Measure H funding.^{207, 208}

Emergency Solutions Grants – CARES Act (“ESG-CV”)²⁰⁹

Through the ESG-CV program, the federal government appropriated funding under the Coronavirus Aid, Relief, and Economic Security (CARES) Act to “prevent, prepare for, and respond to Coronavirus” among PEH, including support for additional homeless assistance and prevention activities to mitigate the impact of COVID-19.

Coronavirus Relief Fund (“CRF”)²¹⁰

An additional allocation from the federal government under the CARES Act to local governments for “necessary expenditures incurred due to the public health emergency with respect to” COVID-19.

Homeless Emergency Aid Program (“HEAP”)²¹¹

HEAP is a state grant with flexible funding for California’s CoCs and large cities to address the homelessness crisis.

Homeless Housing, Assistance and Prevention (“HHAP”)²¹²

HHAP consists of state grants for local jurisdictions and CoCs “with flexible funding to prevent and end homelessness in their regions.”

General City Purposes – Additional Homeless Services (“GCP-AHS”)

GCP-AHS consists of funding for homeless services from the City’s General Fund to provide additional support for the City’s effort to address homelessness.²¹³

State Homekey Grant/Operating Subsidy

The State Homekey Grant/Operating Subsidy allowed municipalities to develop a range of housing types, including converting motels and hotels to interim or permanent housing units.²¹⁴

Community Development Block Grant – CARES Act (“CDBG-CV”)²¹⁵

Through the CDBG-CV program, the federal government appropriated funding under the CARES Act to “prevent, prepare for, and respond to Coronavirus.” Eligible activities included public service activities and housing-related activities, among others.

Figure 3.1 below summarizes Roadmap appropriations by funding source.

²⁰⁶ Roadmap MOU, dated October 12, 2020.

²⁰⁷ Email from the Office of the CAO, dated January 9, 2025.

²⁰⁸ Approved by voters in 2017, Measure H implemented a ¼ cent sales tax in Los Angeles County to support homelessness-related initiatives.

²⁰⁹ Emergency Solutions Grants – CARES Act (ESG-CV), HUD Exchange (<https://www.hudexchange.info/programs/esg/esg-cv/#program-requirements>).

²¹⁰ Coronavirus Relief Fund, U.S. Department of the Treasury (<https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/coronavirus-relief-fund>).

²¹¹ Homeless Emergency Aid Program (HEAP), State of California Business, Consumer Services and Housing Agency, [No Date Available], (https://bcsh.ca.gov/calich/aid_program.html#:~:text=About%20the%20Homeless%20Emergency%20Aid,homelessness%20crisis%20throughout%20the%20state).

²¹² Homeless Housing, Assistance and Prevention (HHAP) Grant Program, California Department of Housing and Community Development (<https://www.hcd.ca.gov/grants-and-funding/programs-active/homeless-housing-assistance-and-prevention-grant-program>)

²¹³ City of Los Angeles 2023-24 Adopted Budget, p. 136 of 626.

²¹⁴ Homekey, California Department of Housing and Community Development (<https://www.hcd.ca.gov/grants-and-funding/homekey>).

²¹⁵ CDBG-CV Program, HUD Exchange (<https://www.hudexchange.info/programs/cdbg-cv/>).

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FIGURE 3.1

Summary of Roadmap Program Appropriations by Funding Source by Year

Source of Funds	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Grand Total
County	\$50,190,075	\$60,429,471	\$49,533,458	\$68,460,585	\$228,613,589
ESG-CV	183,006,066	(4,286,289)	(2,950,191)	8,817,995	184,587,581
CRF	170,785,234	1,185,565	-	-	171,970,798
HHAP/HEAP	96,788,653	(145,697)	41,908,108	8,300,448	146,851,512
GCP-AHS	43,932,652	36,564,080	45,210	1,730,194	82,272,136
State Homekey/Operating Subsidy	6,679,200	-	-	2,710,000	9,389,200
CDBG-CV	7,000,000	(1,812,279)	-	-	5,187,721
Grand Total	\$558,381,880	\$91,934,851	\$88,536,585	\$90,019,222	\$828,872,537

SOURCE: Office of the CAO Data, Attachment 1 to Roadmap Reports (CF 20-0841)

Of the \$829 million in total funds appropriated for the Roadmap Program, the majority of the funds came from Special Funds with only \$82 million of the total appropriation from the General Fund (under the General City Purposes - Additional Homeless Services). This occurred largely due to an influx of federal government funding released in response to the COVID-19 pandemic. Because the state and federal grant funds included flexible funding language that allowed for a broad use of funds, most housing sites were funded through a braiding of all available sources. Other Special Funds, with a more narrow objective, such as the State Homekey funds, were specifically allocated to Homekey sites. County Funds provided per the Roadmap MOU were appropriated for operating costs for the interim housing sites.

Figure 3.2 below summarizes the Roadmap appropriations by the type of funding.

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FIGURE 3.2

Summary of Roadmap Program Appropriations by Funding Categories by Year

Types of Funding Categories	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Grand Total
Operating	\$208,760,127	\$58,472,451	\$70,540,523	\$79,822,353	\$417,595,454
Time Limited Subsidies (Rapid Re-Housing)	83,421,920	(710,000)	(5,020,377)	1,309,681	79,001,224
Administration	8,935,612	4,142,620	2,366,711	\$ 93,479	15,538,422
Outreach	6,605,177	5,900,000	2,472,188	-	14,977,365
Subtotal – Operating & Other	\$307,722,836	\$67,805,071	\$70,359,045	\$81,225,513	\$527,112,464
Capital	\$110,553,435	\$19,450,828	\$792,967	\$1,075,671	\$131,872,902
Match/Acquisition	119,147,497	(277,245)	1,859,280	-	120,729,532
Improvement	20,958,112	4,956,197	15,525,292	7,718,038	49,157,639
Subtotal - Capital	\$250,659,044	\$24,129,780	\$18,177,540	\$8,793,709	\$301,760,073
Grand Total	\$558,381,880	\$91,934,851	\$88,536,585	\$90,019,222	\$828,872,537

SOURCE: Office of the CAO Data, Attachment 1 to Roadmap Reports (CF 20-0841)

FIGURE NOTE: Some “Improvement” costs for Project Homekey properties were managed through service provider contracts at LAHSA.

Figure 3.3 below summarizes the Roadmap Program appropriations by the type of unit or subprogram.

FIGURE 3.3

Summary of Roadmap Program Appropriations by Type of Subprogram by Year

Subprogram	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Grand Total
Project Homekey	\$179,606,387	\$(2,809,554)	\$59,527,906	\$9,168,333	\$245,493,072
Other Interim Beds	109,494,412	30,540,130	11,434,678	28,768,165	180,237,385
Tiny Home Village	82,234,997	32,439,265	(4,916,721)	39,350,029	149,107,570
A Bridge Home	79,809,460	22,049,490	19,226,082	5,743,860	126,828,892
Time-Limited Subsidies	83,421,920	(710,000)	(5,020,377)	1,309,681	79,001,224
Administration	8,935,612	4,142,620	2,366,711	93,479	15,538,422
Outreach	6,605,177	5,900,000	2,472,188	-	14,977,365
Safe Sleeping	5,674,984	382,900	555,853	3,217,675	9,831,412
Safe Parking	2,598,931	-	2,890,265	2,368,000	7,857,196
Grand Total	\$558,381,880	\$91,934,851	\$88,536,585	\$90,019,222	\$828,872,537

SOURCE: Office of the CAO Data, Attachment 1 to Roadmap Reports (CF 20-0841)

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As noted in Figures 3.1, 3.2, and 3.3 above, the majority of Roadmap funds were appropriated during the first fiscal year of the Roadmap Program. A&M observed the following regarding the appropriations:

- Higher reported amounts in the first year of the Roadmap Program were driven by initial appropriations of over \$60 million for Project Roomkey (captured under “Other Interim Beds” within Figure 3.3). Project Roomkey provided hotel and motel rooms to PEH, or individuals at risk of experiencing homelessness, at increased risk for medical conditions due to the COVID-19 pandemic.²¹⁶ The City paid Project Roomkey hotels and motels directly.²¹⁷
- Capital costs were incurred for the creation and start-up of various types of interim housing sites, including Tiny Home Village, A Bridge Home, and Safe Sleep.
- “Match/Acquisition” appropriations in Figure 3.2 relate to Project Homekey sites. Project Homekey was a state-led initiative that granted funding for municipalities to provide housing for a target population of PEH at increased risk for medical conditions due to the COVID-19 pandemic.²¹⁸ The City was awarded funding for the purchase of 15 properties.^{219, 220}
- TLS were included in Roadmap appropriations from the outset of the program. As part of a larger “COVID-19 Recovery Plan for Homelessness,” the CAO approved funding of \$97 million over four years for 3,000 placements.²²¹ A&M noted in Figure 3.3 that this amount was ultimately amended to \$79 million in appropriations throughout the Lookback Period.

A&M also reviewed amounts appropriated to LAHSA from the City under the two Roadmap Program-Named LAHSA Contracts (C-137223 and C-144656), which should be captured within the “Operating & Other” subtotal summarized in Figure 3.2. Because *Attachment 1* to the Funding Recommendations did not delineate between operating costs paid directly by the City versus those passed through LAHSA, A&M was not able to reconcile amounts between the Program-Named LAHSA Contract appropriations and overall Roadmap operating appropriations.

The Program-Named LAHSA Contract documentation included summarizations of primary funding sources used to support the subprograms managed by LAHSA, outlined in Figure 3.4. In line with overall Roadmap appropriations, Roadmap Program-Named LAHSA Contracts were primarily funded by County funds and federal funds related to the COVID-19 pandemic.

²¹⁶ LAHSA, Project Roomkey, webpage published April 20, 2020 (updated July 29, 2021).

²¹⁷ City Data, Project Roomkey Cost Summary and Payment Logs.

²¹⁸ Homekey, California Department of Housing and Community Development (<https://www.hcd.ca.gov/grants-and-funding/homekey/eligibility>)

²¹⁹ The City and the Housing Authority of Los Angeles jointly applied for Project Homekey funds. HACLA retained the title to 5 properties and acquired the remaining 10 properties on behalf of the City, to hold as an intermediary before the City could select owner/operators to take title of each site.

²²⁰ Project Homekey Regulatory Agreement, dated November 30, 2020.

²²¹ Proposed Strategy and Funding Recommendations on COVID-19 Homelessness Roadmap, dated August 5, 2020.

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FIGURE 3.4

Summary of City-LAHSA Contract Appropriations by Contract and Funding Source for Roadmap Program-Named LAHSA Contracts (C-137223 and C-144656)

Contract	Contract Term End	Funding Source	Amount	Grand Total
C-137223	9/30/2023	County	\$174,016,998	\$457,800,706
		ESG-CV	172,342,044	
		Joint County & ESG-CV	60,895,110	
		General Fund	43,561,354	
		State	6,985,200	
C-144656	6/30/2025	County	79,157,998	80,951,180
		General Fund	83,182	
		State	1,710,000	
Grand Total		County	\$253,174,996	\$538,751,886
		ESG-CV	\$172,342,044	
		Joint County & ESG-CV	\$60,895,110	
		General Fund	\$43,644,536	
		State	\$8,695,200	

SOURCES: City/LAHSA Roadmap Contract C-137223 (Amendment 17) Compensation Table; City/LAHSA Roadmap Contract C-144656 (Amendment 2) Compensation Table

FIGURE NOTE: The amount appropriated under C-144656 relates to expenditure authority through 6/30/2024 with a Contract Term End date of 6/30/2025.

From an accounting perspective, each City-LAHSA contract had the ability to be funded through multiple different funding streams, whether that was the City's General Fund or state and federal government grants that the City passes through to LAHSA. LAHSA tracks these specific funding streams using grant codes. For the purposes of A&M's assessment, LAHSA provided a crosswalk that linked all grant codes from City funds to the associated City-LAHSA contract.²²² For example, there were eight LAHSA grant codes subsumed under the larger ESG-CV grant – all eight of those ESG-CV grant codes were linked to the Roadmap Program-Named LAHSA Contracts.²²³

3.4.2. ROADMAP – ACTUAL EXPENDITURES (CAPITAL EXPENDITURES – INTERIM HOUSING)

As discussed, the lack of a centralized cost center by City Program hindered A&M's ability to comprehensively assess the City's actual capital expenditures under the Roadmap Program within the scope of this assessment. As such, A&M tested the ability to trace appropriated capital funds to actual

²²² LAHSA Chart of Accounts, Crosswalk to City-Funded Contracts.

²²³ Ibid.

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expenditures for the 11 sampled Roadmap sites. To perform this review, A&M requested supporting financial data from the CAO for the department(s), fund(s), and account(s) that incurred actual capital expenses for the given site to assess whether the actual expenses aligned with the appropriations.

For the 11 sampled sites under the Roadmap Program, A&M identified capital appropriations in *Attachment 1 to the Funding Recommendations* for seven locations. There were no capital appropriations for four of the 11 Roadmap Sites (Nos. 3-6), indicating that the location either incurred rent payments (i.e., operating costs) or was already owned outright by the City. The CAO provided documentation that was available from the City’s financial management system for actual capital expenditures incurred for six of the seven sampled sites with capital appropriations. It appeared from A&M’s review that the City was able to identify actual capital expenditures incurred for the sampled sites through appropriation accounts in the financial management system with site-specific nomenclature (e.g., Appr 00T788 – “CD 13 3rd Street Pallet Shelters”).²²⁴ Figure 3.5 below summarizes the capital appropriations and actual capital expenditures throughout the Lookback Period.

FIGURE 3.5

Summary of Roadmap Program Capital Appropriations, Encumbered Funds and Actual Expenditures for 11 Sampled Sites Across the Lookback Period

Sampled Site	Appropriated Funds	Encumbered Funds + Actual Expenditures
Roadmap Site #1	\$5,812,912	\$5,450,679
Roadmap Site #2	30,712	<i>Unknown – No Data Provided</i>
Roadmap Site #3	<i>No Capital Appropriations (Operating Only)</i>	N/A
Roadmap Site #4	<i>No Capital Appropriations (Operating Only)</i>	N/A
Roadmap Site #5	<i>No Capital Appropriations (Operating Only)</i>	N/A
Roadmap Site #6	<i>No Capital Appropriations (Operating Only)</i>	N/A
Roadmap Site #7	1,669,308	300,597
Roadmap Site #8	8,906,965	7,591,263
Roadmap Site #9	6,173,096	4,753,445
Roadmap Site #10 (Homekey)	20,076,247	20,056,747
Roadmap Site #11 (Homekey)	2,713,579	2,713,579
Grand Total	\$45,382,819	\$40,866,310

SOURCES: Office of the CAO Data, Attachment 1 to Roadmap Reports (CF 20-0841); City Data, Actual Roadmap Capital Expenditures

FIGURE NOTE: A&M analyzed operating costs separately.

The information provided indicates that the City is able to account for actual expenses for the Roadmap Program at a granular level. Additionally, as demonstrated in Figure 3.5, the City dedicated varying amounts to each of these projects. This is due to differing conditions present at each interim housing

²²⁴ This is only used as an example and does not represent a sampled site.

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location, which could include specific regulatory requirements or differing amounts of effort necessary to build the desired infrastructure (e.g., building rehabilitation costs versus new construction). It was not within the scope of A&M’s assessment to evaluate whether the appropriated amounts accurately reflected the amount of capital funding necessary to establish these interim housing sites.

3.4.3. ROADMAP – ACTUAL EXPENDITURES (OPERATING EXPENDITURES PAID DIRECTLY BY THE CITY)

The City paid rent directly for certain Roadmap Program housing locations, including paying hotels and motels directly for rooms under Project Roomkey. In response to a data request for expenditures pertaining to leasing costs for beds reported under the City Programs, the City produced ‘payment logs’ for both Project Roomkey and ‘bridge leases,’ the latter of which appeared to relate to ABH and other interim housing locations. Based A&M’s review of the payment logs, payments were oftentimes made from numerous City departments and funding sources throughout the Lookback Period; therefore, A&M’s summarization of expenditures is based on the City’s compilation of relevant payments.²²⁵

Project Roomkey expenses, including any damage claims, and other lease payments are summarized in Figure 3.6 below for locations reported on the Roadmap Quarterly Reports.²²⁶

FIGURE 3.6

Summary of Project Roomkey Hotel and Motel Expenses and Other Lease Payments Paid Directly by the City for the Roadmap Program by Year

Category of Cost	June 2020	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Grand Total
LA Grand	\$2,327,575	\$23,797,234	\$27,350,107	\$11,352,205	-	\$64,827,120
Mayfair Hotel	-	11,833,276	12,732,241	3,311,192	9,537,239	37,413,948
Airtel Plaza Hotel	-	698,948	8,307,565	3,067,510	-	12,074,023
Highland Gardens	-	-	4,888,384	1,709,315	-	6,597,699
Sportsmen Lodge	-	5,055,360	950,864	103,233	-	6,109,457
Other Hotels/Motels	-	3,170,466	5,569,658	130,888	-	8,871,011
Subtotal – Project Roomkey	\$2,327,575	\$44,555,284	\$59,798,818	\$19,674,343	\$9,537,239	\$135,893,259
Other Lease Payments	-	1,247,009	1,874,406	2,119,570	2,054,183	7,295,168
Grand Total	\$2,327,575	\$45,802,293	\$61,673,224	\$21,793,912	\$11,591,422	\$143,188,427

SOURCES: City Data, Project Roomkey Cost Summary and Payment Logs; City Data, Bridge Lease Payment Logs

FIGURE NOTE: Per the City Controller’s homelessness audit published in December 2024, at least some portion of the Project Roomkey hotel and motel expenses were funded by Federal Emergency Management Agency (“FEMA”) funds.

The majority of Project Roomkey expenses were incurred during the earlier years of the Lookback Period, as Project Roomkey was deployed as an urgent response to provide non-congregate housing options for individuals at risk of illness due to COVID-19.²²⁷ As Project Roomkey ramped down during the latter part

²²⁵ A&M tested the ability to trace the compiled payments to separate general ledger files provided by the City.

²²⁶ Both payment log files included payments for locations that could not be linked to the City Programs.

²²⁷ Email from LAHSA dated February 21, 2025.

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of 2022,²²⁸ several of the Project Roomkey properties (e.g., LA Grand, Mayfair Hotel, Highland Gardens) provided shelter under the other City Programs. For example, the LA Grand lease was extended to serve Inside Safe participants in February 2023,²²⁹ and Highland Gardens (as of December 27, 2022) and Mayfair (as of May 1, 2024) were both reported under the Alliance Program.²³⁰ The expenses shown in Figure 3.6 above are solely related to the period when the hotels or motels were classified as Project Roomkey properties within the Roadmap Program.

3.4.4. ROADMAP – ACTUAL EXPENDITURES (OPERATING EXPENDITURES – LAHSA)

Figure 3.7 below summarizes expenses invoiced to LAHSA by service providers under the Roadmap Program-Named LAHSA contracts through June 30, 2024, as well as internal LAHSA expenses attributed to the Roadmap Program. Vendor expenses were also included; LAHSA explained that compared to service provider expenses, LAHSA occasionally contracted directly with a third-party organization (i.e., vendor) to procure specific deliverables.²³¹ For the Roadmap Program, vendor expenses included nursing, security, and meals at Project Roomkey sites.²³² In total over the Lookback Period, approximately 200 service provider contracts incurred expenses linked to the City's Roadmap contracts with LAHSA.²³³ Notably, during the Lookback Period, service provider contract codes changed between FY 2020-21 and FY 2021-22. Because the data provided by LAHSA did not allow a comprehensive crosswalk from old contract codes to new ones, some duplication in counts likely occurred. Restricting the analysis to FY 2021-22 through FY 2023-24 indicated that 152 service provider contracts incurred expenses linked to the City's Roadmap Program-Named LAHSA Contracts.²³⁴ Further, this service provider contract count is dependent on LAHSA's mapping of expense data to City-LAHSA contracts; in response to other data requests, LAHSA identified contracts for sites established under the Roadmap Program that did not appear in the financial data provided, leading to inconsistencies in reported service provider contracts relevant to the Roadmap Program.

²²⁸ LAHSA, Project Roomkey Ends Homelessness for 4,824 People, published November 18, 2022.

²²⁹ Homelessness Emergency Account - General City Purposes Fund Seventeenth Status Report (C.F. 22-1545) as of Sunday, June 30, 2024 and Funding Recommendations, dated June 30, 2024, p. 11 of 42; Office of the CAO Data, List of Active and Expired Inside Safe Motel Agreements.

²³⁰ Dkt. 757, Alliance Quarterly Status Report as of June 30, 2024.

²³¹ Email from LAHSA GMC Department, dated February 11, 2025.

²³² City of Los Angeles Controller, Homeless Audit: Pathways to Permanent Housing, dated December 10, 2024, p. 25 of 86; LAHSA Accounting Data - General Ledgers (all City Funds).

²³³ LAHSA Accounting Data - General Ledgers (all City Funds).

²³⁴ Ibid.

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FIGURE 3.7

Summary of Expenses Invoiced to LAHSA by Service Providers and Vendors and LAHSA Internal Expenses Attributed to Roadmap Program-Named LAHSA Contracts (C-137223 and C-144656) by Year

Category of Cost	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Grand Total
Internal LAHSA	\$885,165	\$9,365,211	\$3,530,201	\$749,200	\$14,529,777
Vendors	-	5,423,808	7,143,900	-	12,567,708
Service Providers	23,485,237	139,599,215	142,141,511	91,162,308	396,388,271
Grand Total	\$24,370,402	\$154,388,234	\$152,815,612	\$91,911,508	\$423,485,756

SOURCES: LAHSA Accounting Data - General Ledgers (all City Funds); LAHSA Chart of Accounts, Crosswalk to City-Funded Contracts

FIGURE NOTE: Vendor amounts identified as “PRK” designated contract codes linked to internal LAHSA agency codes.

LAHSA service providers incurred \$396.4 million in expenses throughout the Lookback Period; vendors incurred \$12.6 million. An additional \$14.5 million was recorded to LAHSA’s internal agency codes: Administration, Essential Services, Operating Costs, and HMIS. The majority of LAHSA’s internal expenses were comprised of payroll payments, although beyond that, it was difficult to discern from the accounting data what specific LAHSA activities were charged to the Roadmap Program.

At the outset of this assessment, LAHSA identified only financial transactions associated with the Program-Named LAHSA Contracts as relevant to the scope of this assessment. However, A&M’s subsequent analyses revealed that additional City-to-LAHSA contracts and County funds contributed funding to these City Programs. Specifically, A&M identified that various service provider contracts funded through the Roadmap Program-Named LAHSA Contracts also incurred expenses linked to other City-funded LAHSA contracts. For example, a service provider’s contractual budget may be linked to four different grant codes – three of the four grant codes crosswalk to the Roadmap Program-Named LAHSA Contract (C-137223) and one grant code crosswalks to the City’s General Fund Contract (C-140706) with LAHSA. Figure 3.8 below expands the expense analysis to capture all costs related to service provider contracts linked to the Roadmap Program regardless of whether all grant codes link directly to the Program-Named LAHSA Contract. This more accurately reflects the City’s total cost for providing services at the Roadmap housing sites or subprograms.

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FIGURE 3.8

Summary of Roadmap Program Expenses Invoiced to LAHSA by Service Providers Linked to any City-Funded Contract by Year

City-Funded Contract	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Grand Total
C-137223 & C-144656	\$23,485,237	\$139,599,215	\$142,141,511	\$91,162,308	\$396,388,271
Subtotal - Program-Named 'Roadmap' Contracts	\$23,485,237	\$139,599,215	\$142,141,511	\$91,162,308	\$396,388,271
C-135650 (HHAP)	-	\$5,402,197	\$2,429,566	\$39,689,017	\$47,520,780
C-136465, C-138630 & C-140706 (GF)	-	6,962,032	1,660,508	1,202,878	9,825,418
C-138675 (ESG-CV)	-	54,000	234,689	1,257,506	1,546,195
C-133135 (HEAP)	-	36,703	-	-	36,703
Subtotal - Other LAHSA Contracts	-	\$12,454,932	\$4,324,763	\$42,149,401	\$58,929,095
Grand Total	\$23,485,237	\$152,054,146	\$146,466,274	\$133,311,709	\$455,317,366

SOURCES: LAHSA Accounting Data - General Ledgers (all City Funds); LAHSA Chart of Accounts, Crosswalk to City-Funded Contracts

FIGURE NOTE: LAHSA's Chart of Accounts linked two HHAP grants to the City's GF Contract. All other HHAP grants were linked to the C-135650 HHAP contract. A&M reclassified the two HHAP grants under C-135650.

While overall Roadmap Program expenses decreased by approximately \$13 million between FY 2022-23 and FY 2023-24, the amount captured under the Program-Named LAHSA Contract decreased by almost \$51 million. This decrease was due to the winddown of ESG-CV funding, which historically funded a large portion of Roadmap Program service provider expenses. As a result, many service provider contracts that were previously linked to only the Roadmap Program-Named LAHSA Contract were shifted and claimed for reimbursement under the City's HHAP contract (C-135650).

Figure 3.9 below summarizes the same Roadmap Program expenses incurred by service providers, as recorded under the "Program Title" field in LAHSA's general ledger data. As exhibited in Figure 3.9, the Program Title field was a broad categorization that did not always align with the corresponding subprogram. For example, the "Program Title" field might record "Bridge Housing," even though contracts pertained to subprograms such as A Bridge Home, Tiny Home Village, and Project Homekey. This misalignment between actual subprogram designations and accounting entries complicated A&M's efforts to accurately identify expenditures at the subprogram level and compare spending across different types of subprograms.

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FIGURE 3.9

Summary of Roadmap Program Expenses Invoiced to LAHSA by Service Providers Linked to any City-Funded Contract by LAHSA Program Title by Year

LAHSA Program Title	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Grand Total
Bridge Housing	\$14,662,265	\$88,696,362	\$105,013,789	\$112,026,645	\$320,399,061
Rapid Re-Housing	8,061,279	49,618,243	1,477,832	-	59,157,355
Time-Limited Subsidies	-	-	30,669,661	14,706,714	45,376,375
Project Roomkey	-	9,196,122	2,766,537	-	11,962,659
Safe Sleep	202,631	1,740,577	3,005,570	3,042,218	7,990,996
Safe Parking	423,196	1,912,632	1,950,338	2,099,413	6,385,580
Outreach/Case Management Coordination	-	-	1,008,953	467,290	1,476,243
Crisis Housing	-	-	-	915,380	915,380
Housing Navigation	-	-	573,593	-	573,593
Winter Shelter	-	505,035	-	53,957	558,992
Sanitation Project	-	388,823	-	-	388,823
Capital Costs	81,289		-	-	81,289
Shallow Subsidy	54,577	(3,648)	-	-	50,929
Inclement Weather Program	-	-	-	93	93
Grand Total	\$23,485,237	\$152,054,146	\$146,466,274	\$133,311,709	\$455,317,366

SOURCES: LAHSA Accounting Data - General Ledgers (all City Funds); LAHSA Chart of Accounts, Crosswalk to City-Funded Contracts.

FIGURE NOTE: Expenses classified as “Bridge Housing” encompass multiple subprograms, including A Bridge Home, Tiny Home Villages, and Project Homekey.

During the course of A&M’s assessment, it became apparent that some service provider contracts under the Roadmap Program received funding directly from the County. A&M requested additional LAHSA accounting data that included all service provider expenses for the Roadmap Program regardless of the funding source.²³⁵ Figure 3.10 below summarizes the additional County-funded portions of the service provider contracts under the Roadmap Program.

²³⁵ LAHSA Accounting Data - General Ledgers (all Roadmap Funding Sources).

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FIGURE 3.10

Summary of Roadmap Program Expenses Invoiced to LAHSA by Service Providers Linked to City-Funded and County-Funded Contracts by LAHSA Program Title Across the Lookback Period

LAHSA Program Title	City	County	Grand Total
Bridge Housing	\$320,214,731	\$14,850,227	\$335,064,958
Time-Limited Subsidies	45,376,375	97,105,678	142,482,053
Rapid Re-Housing	58,194,292	32,715,781	90,910,074
Project Roomkey	11,560,067	-	11,560,067
Safe Sleep	7,990,996	-	7,990,996
Safe Parking	6,385,580	-	6,385,580
Crisis Housing	1,646,223	3,429,763	5,075,986
City Inside Safe Program	2,309,141	-	2,309,141
Housing Navigation	573,593	1,358,711	1,932,304
Shallow Subsidy	50,929	1,652,273	1,703,202
Outreach/Case Management Coordination	1,476,243	-	1,476,243
Winter Shelter	558,992	-	558,992
Sanitation Project	388,823	-	388,823
Capital Costs	81,289	-	81,289
Problem Solving	-	71,385	71,385
Inclement Weather Program	93	17,868	17,960
Homelessness Prevention	-	5,033	5,033
Grand Total	\$456,807,366	\$151,206,720	\$608,014,085

SOURCES: LAHSA Accounting Data - General Ledgers (all Roadmap Funding Sources); LAHSA Chart of Accounts, Crosswalk to City-Funded Contracts

FIGURE NOTE: The City-funded portion varies slightly from the prior accounting extracts provided that contained solely City-funded grants – \$455.3 million versus \$456.8 million. The differences were due to (1) service provider contracts that were included in the “all funding sources” file and not the City-funded files, or vice versa, and (2) differences in expense amounts for service provider contracts present in both source files. The discrepancies did not materially affect the analysis.

According to LAHSA’s accounting records, an additional \$151.2 million in services (related to over 80 service provider contracts) for the Roadmap Program was funded through County funds. The vast majority of this additional amount relates to TLS (previously called Rapid Re-housing). In fact, County funding provides more than half (55%) of the funding for TLS service provider contracts linked to the Roadmap Program. Per LAHSA, TLS beds reported under the Roadmap Program include all clients funded through TLS contracts that receive comingled City and County funding – “LAHSA’s position is

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that all clients are served by the full amount of funding a program receives and clients cannot be meaningfully separated by those funded by the City and those not.”²³⁶

As mentioned, A&M noted inconsistencies between service provider contracts linked to the Roadmap Program within the financial data and separate files LAHSA produced that purport to identify service provider contracts for each Roadmap housing intervention, highlighting the complexity in accurately accounting for all funds committed to the support the Roadmap Program. The largest discrepancy relates to TLS contracts – LAHSA identified 95 contracts for the 2,293 “Scattered Sites” (representing approximately 30% of all open and occupiable beds) reported by the City as of June 30, 2024. Of the contracts identified by LAHSA, approximately 70% did not report financial expenditures in FY 2023-24.²³⁷ A&M requested supporting workpapers from LAHSA regarding the TLS bed count to investigate this discrepancy further in an effort to ensure all costs related to TLS were captured. However, LAHSA was unable to provide the requested documentation, and instead furnished a memorandum that was not sufficient to permit reconciliation of the identified misalignment in contracts.²³⁸ Therefore, A&M could not validate the reported number of TLS beds or the total expenses necessary to support those beds.

In summary, LAHSA service provider expenses constitute a significant portion of the ongoing operating costs needed to sustain housing interventions. A&M noted that as of September 6, 2024, the City reported 6,956 open beds and/or units under the Roadmap Program,²³⁹ with 4,201 of those beds being interim housing beds²⁴⁰ expected to remain operational through June 30, 2025.²⁴¹ However, the City indicated that an annual allocation of \$100.9 million for operating costs would need to be identified to sustain the beds past FY 2024-25, excluding additional funding for leasing and other potential cost increases related to the anticipated interim housing bed rate adjustment. This highlights potential financial challenges in maintaining Roadmap resources in the future, considering the annual \$60 million contribution from County funds per the Roadmap MOU is expiring as of June 30, 2025.

3.4.5. ROADMAP APPROPRIATIONS (PSH)

A&M requested supporting financial data in an effort to quantify City funds committed to PSH properties included within the Roadmap Quarterly Reports submitted to the Court. A&M also conducted multiple interviews with the CAO and LAHD regarding the City’s role in funding PSH projects.

The Roadmap Program includes 16 PSH locations. LAHD provided financing information for 16 projects related to the Roadmap Program; A&M compared the addresses and/or names of the 16 PSH projects to the list of locations from the Roadmap Quarterly Reports. Generally, the addresses aligned.²⁴²

Three categories of financing amounts were included in the data:²⁴³

- **Construction Financing:** Sources necessary to fund construction.

²³⁶ LAHSA Memo, Roadmap Report FY23-24 Q3, dated April 5, 2024.

²³⁷ Analysis of LAHSA's contract listing for the Roadmap Program.

²³⁸ LAHSA Memo, TLS Beds Open to Date and Clients Served in Roadmap Reports, dated December 19, 2024.

²³⁹ 7,429 beds less 473 demobilized LA Grand Hotel beds.

²⁴⁰ Per the City, the remaining Roadmap Program beds and/or units were a mix of PSH, TLS, Safe Parking, and Safe Sleep interventions.

²⁴¹ Alliance Settlement Agreement Program (ASAP) Strategy and Progress as of June 30, 2024, dated September 6, 2024, p. 12 of 32.

²⁴² The financing information included one Project Homekey conversion (Panorama Inn - 8209 Sepulveda Blvd.) classified as Interim Housing in the bed counts. Alternatively, the funding information lacked detail for a PSH site (5215 S. Figueroa St.) included in the bed counts. All City funding information provided is summarized despite the misalignment.

²⁴³ Interview with LAHD Development & Financing on November 18, 2024.

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- **Permanent Financing:** After construction is complete, the construction loans are rolled over into forms of permanent financing (i.e., sources used to pay off construction financing).
- **Funding Information:** Indicates the specific City fund and appropriation accounts drawn down to provide the City's permanent financing commitment.²⁴⁴

\$549.3 million in permanent financing from all sources (not solely the City) was reported for the 16 housing projects to create a total of 1,016 total units,²⁴⁵ or \$540,685 per unit. The total unit count includes units classified as affordable housing where tenant-based vouchers can be utilized. In total, the 16 projects are reported to have created 621 PSH units.²⁴⁶

Of the total \$549.3 million, \$105.8 million in City funds have been committed to Roadmap PSH projects, or \$170,368 per PSH unit, with the majority sourced from Proposition HHH. Per conversations with LAHD, with the Proposition HHH measure being passed in 2016, some portion of the Roadmap Program PSH projects would have been awarded Proposition HHH funds as early as 2017, with construction projects starting in 2019, prior to the Lookback Period.²⁴⁷

FIGURE 3.11

Summary of City Funds Committed to Roadmap Program PSH Locations

City Funds Source	Amount Committed
Proposition HHH	\$77,171,108
HOME Investment Partnerships Program	15,884,495
General Fund	-
Other	12,742,945
Grand Total	\$105,798,548

SOURCE: LAHD Data, Roadmap PSH Financing

FIGURE NOTE: Due to the long lead time in developing PSH, all committed funds are summarized above, regardless of whether the initial commitment fell within the Lookback Period.

²⁴⁴ A&M relied on the fund numbers from the Funding Information section of the financing data provided by the City to crosswalk to the source of funds using the City's chart of accounts.

²⁴⁵ LAHD Data, Roadmap PSH Financing.

²⁴⁶ Dkt. 756, Roadmap Quarterly Status Report as of June 30, 2024. The financing information included one Project Homekey conversion (Panorama Inn - 8209 Sepulveda Blvd.) classified as Interim Housing in the bed counts. Alternatively, the funding information lacked detail for a PSH site (5215 S. Figueroa St.) included in the bed counts. All City funding information provided is summarized despite the misalignment.

²⁴⁷ Interview with LAHD Development & Financing on November 18, 2024.

KEY TAKEAWAYS OF SECTION 3.4

- The City appropriated over \$829 million from various sources of funding to support the Roadmap Program. This amount included capital costs to create interim housing beds, rent or lease payments for interim housing beds, time-limited subsidies, and supportive service expenses passed through LAHSA. Additionally, the City committed \$105.8 million to fund Permanent Supportive Housing projects.
- LAHSA incurred over \$455 million in City-funded service provider expenses linked to the Roadmap Program across the Lookback Period. Many of these service provider contracts received additional funding directly from the County, increasing the total amount of service provider funding to \$608 million.
- The budget or compensation clauses in the Roadmap Program-Named LAHSA Contracts do not completely capture the total costs required to support operations at the shelter and housing interventions established under the Roadmap Program, especially for the Time-Limited Subsidy subprogram. LAHSA employed multiple funding streams and contributions from various entities to support beds and associated services at the respective sites.
- Subprogram designations did not always align with categories used in accounting records, leading to difficulties in accurately identifying expenditures for specific subprograms. This mismatch hindered efforts to analyze and compare spending across subprograms, which limited the ability to obtain a deeper understanding of homelessness assistance services.
- The City faces funding constraints concerning future monetary support of Roadmap housing interventions due to the loss of federal ESG-CV funding and forthcoming loss of County funds governed by the Roadmap MOU.

3.5 ALLIANCE APPROPRIATIONS AND EXPENDITURES

3.5.1. ALLIANCE APPROPRIATIONS (PSH)

The Alliance Agreement is primarily comprised of PSH solutions. A&M requested supporting financial data in an effort to quantify City funds committed to PSH properties included within the Alliance Quarterly Reports submitted to the Court. A&M also conducted multiple interviews with City departments including the CAO and LAHD, regarding the City's role in funding PSH projects.

As of June 30, 2024, under the Alliance Program, the City reported 142 PSH locations with a status of "Open" or "In Process" amounting to 7,810 PSH beds.²⁴⁸ LAHD provided financing information for 132 PSH projects related to the Alliance Program. A&M compared the addresses and names of 132 PSH projects with the sites listed in the Alliance Quarterly Reports. Two of the PSH sites in the City's reporting had no corresponding funding details, while the remaining eight locations were Project Homekey PSH locations whose information was managed by HACLA.^{249, 250}

²⁴⁸ Dkt. 757, Alliance Quarterly Status Report as of June 30, 2024.

²⁴⁹ HACLA Homekey Data Response, dated August 7, 2024.

²⁵⁰ The additional Project Homekey PSH projects with data maintained at HACLA are primarily funded through California Department of Housing and Community Development Homekey Awards.

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\$5.47 billion in permanent financing from all sources (not solely the City) was reported for the 132 housing projects to create a total of 9,592 total units,²⁵¹ or \$569,802 per unit. The total unit count includes units classified as affordable housing where tenant-based vouchers can be utilized. In total, the 132 projects are reported to have created 7,395 PSH units.²⁵²

Of the total \$5.47 billion, \$1.13 billion in City funds were committed to Alliance PSH projects, or \$153,288 per PSH unit, with the majority sourced from Proposition HHH. Again, a portion of the Alliance PSH projects funded through Proposition HHH would have been in process prior to both the Alliance Settlement and the Lookback Period.

FIGURE 3.12

Summary of City Funds Committed to Alliance Program PSH Locations

City Funds Source	Amount Committed
Proposition HHH	\$815,448,430
HOME Investment Partnerships Program	158,578,503
General Fund	60,454,387
Other	99,083,429
Grand Total	\$1,133,564,750

SOURCE: LAHD Data, Alliance PSH Financing

FIGURE NOTE: Due to the long lead time in developing PSH, all committed funds are summarized above, regardless of whether the initial commitment fell within the Lookback Period.

The funding exhibited relates to 7,395 of the 7,810 PSH beds reported as either open or in process under the Alliance Program.²⁵³ Under the Court's requirements, as of June 30, 2024, the City still needed to create 4,252 additional beds (not specific to PSH) to fulfill its remaining obligation. However, as previously noted, the CAO's report outlined potential fiscal constraints, which introduces risks to both sustaining existing housing interventions and respective services under the Roadmap Program as well as securing resources for creating new beds under the Alliance Settlement.²⁵⁴ Balancing the maintenance of established housing interventions with the Court's mandate for additional beds underscores a strained budgetary environment that may hinder long-term progress toward meeting the Alliance Settlement's objectives.

3.5.2. ALLIANCE – ACTUAL EXPENDITURES (LAHSA)

The Alliance Agreement included two interim housing locations operational throughout the Lookback Period – Highland Gardens and the Mayfair Hotel.²⁵⁵ Service provider costs for these locations were handled through LAHSA; however, because the Mayfair Hotel housed Inside Safe participants, service provider expenses are linked to Inside Safe funding and quantified under the Inside Safe Program.

²⁵¹ LAHD Data, Alliance PSH Financing. A&M noted that several properties in the data indicated that zero units were created even though funding amounts were provided.

²⁵² Dkt. 757, Alliance Quarterly Status Report as of June 30, 2024.

²⁵³ Dkt. 757, Alliance Quarterly Status Report as of June 30, 2024.

²⁵⁴ Alliance Settlement Agreement Program (ASAP) Strategy and Progress as of June 30, 2024, dated September 6, 2024, pp. 11-12 of 32.

²⁵⁵ There are interim housing sites (Project Homekey) included in Alliance Reporting that were listed as 'in process' as of June 30, 2024.

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Figure 3.13 below summarizes expenses invoiced to LAHSA by service providers under the Alliance Program-Named LAHSA Contract through June 30, 2024, as well as internal LAHSA expenses attributed to the Alliance Program.

FIGURE 3.13

Summary of Expenses Invoiced to LAHSA by Service Providers and LAHSA Internal Expenses Attributed to the Alliance Contract C-141840 by Year

Category of Cost	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Grand Total
Internal LAHSA	N/A	N/A	\$ -	\$ -	\$ -
Service Provider	N/A	N/A	4,818,632	7,870,142	12,688,774
Grand Total	N/A	N/A	\$4,818,632	\$7,870,142	\$12,688,774

SOURCES: LAHSA Accounting Data - General Ledgers (all City Funds); LAHSA Chart of Accounts, Crosswalk to City-Funded Contracts

Per the Memorandum of Understanding between the City and the County, the County was to reimburse the City on a retroactive and go-forward basis for the Bed Rate (i.e., nightly rental rate) for interim housing beds under the Alliance Program.²⁵⁶ The City issued an invoice to the County on December 10, 2024, for Highland Garden bed costs for the period of November 2022 through June 2023; the City had not been reimbursed at the time of this analysis.²⁵⁷

KEY TAKEAWAY OF SECTION 3.5

- Housing interventions reported under the Alliance Agreement primarily consisted of PSH units. The City committed \$1.1 billion to support 132 PSH projects encompassed under the Alliance Agreement, largely sourced from Proposition HHH funds.

3.6 INSIDE SAFE PROGRAM APPROPRIATIONS AND EXPENDITURES

On January 18, 2023, the City Council and the Mayor approved a motion to establish the Homelessness Emergency Account (“HEA”) to manage City expenses related to administering the Inside Safe Program.²⁵⁸ Subsequently, the status of Inside Safe Program operations and related funding recommendations were reported within Homelessness Emergency Account – General City Purposes Fund Status Reports and Funding Recommendations (“HEA Reports”) issued by the CAO to the City Council. The HEA Reports provide both budgeted and actual expenses for the Inside Safe Program since the inception of the City Program.

For FY 2023-24, a total of \$250 million in funding was allocated to the Inside Safe Program, with \$65.7 million appropriated to the HEA account and the remaining \$184.3 million held in an Inside Safe Reserve

²⁵⁶ Alliance MOU between County and City, dated May 2, 2024, pp. 6-7 of 15.

²⁵⁷ Alliance Reimbursement Claim from City to County, dated December 10, 2024.

²⁵⁸ Homelessness Emergency Account – General City Purposes Fund Eighteenth Status Report (C.F 22 – 1545) as of Wednesday, July 31, 2024 and Funding Recommendations, dated August 22, 2024.

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Fund account.²⁵⁹ If the balance in the HEA account dropped below \$25 million during the fiscal year, the CAO was instructed to provide the Mayor, Council, and Controller a memo to request the transfer of additional funds in the HEA account. Funds were transferred out of the Inside Safe Reserve Fund account to the HEA in increments of \$25 million, as necessary.²⁶⁰

Inside Safe Program exclusively uses hotels and motels to provide interim housing for PEH through its operations. The City negotiated two types of contracts with hotel and motel owners: booking and occupancy agreements. Under a booking agreement, the City secures a fixed nightly rate; however, the total number of rooms billed fluctuates based on the number of participants occupying the site and the rooms that are available at any given time.²⁶¹ An occupancy agreement stipulates a fixed nightly rate and guarantees a specified number of rooms to be billed, regardless of whether the rooms are occupied. As of July 2024, the City had 34 active booking agreements and 11 active occupancy agreements (for a total of 45 active motel/hotel agreements). The 11 occupancy agreements guaranteed the availability of 460 rooms.²⁶²

The largest occupancy agreement executed by the City was for the LA Grand Hotel, which initially provided interim housing as a Project Roomkey site under the Roadmap Program before housing Inside Safe participants. The LA Grand lease covered 481 rooms, according to the CAO.^{263, 264} The lease on the LA Grand (managed by GSD) was extended through July 31, 2024, allowing residents to transition to the Mayfair Hotel. As of June 28, 2024, all participants exited the LA Grand.²⁶⁵

In addition to contracts with private hotels and motels, the City invested in acquiring properties to provide interim housing. In August 2023, the City Council approved the acquisition and rehabilitation of the Mayfair Hotel for use as interim housing (294 rooms) under Inside Safe for approximately \$83 million.²⁶⁶ The Mayfair Hotel previously served as a Project Roomkey site under the Roadmap Program. In total, the HEA account funded \$15.6 million in costs related to the acquisition of the Mayfair Hotel.²⁶⁷ While the Mayfair Hotel was acquired in relation to Inside Safe, the beds were reported under the Alliance Program as of June 30, 2024.²⁶⁸ Additionally, the HEA account has appropriated \$31 million in matching funds for the acquisition of two Project Homekey properties that will provide 185 units.²⁶⁹ Similar to the other City Programs, services for Inside Safe participants were managed through LAHSA.

Figure 3.14 below summarizes actual expenditures incurred for the Inside Safe Program for the two years that the program was in operation during the Lookback Period as reported in the HEA Reports. Actual expenditures include amounts incurred prior to the end of each fiscal year, although the City indicated that payments were remitted (or pending payment) after the end of the respective fiscal year.²⁷⁰

²⁵⁹ Homelessness Emergency Account - General City Purposes Fund Seventeenth Status Report (C.F 22-1545) as of Sunday, June 30, 2024 and Funding Recommendations, dated June 30, 2024, p. 3 of 42.

²⁶⁰ Ibid.

²⁶¹ Ibid., p. 8.

²⁶² 460 includes service provider rooms and does not account for double occupancy of rooms.

²⁶³ Office of the CAO Data, List of Active and Expired Inside Safe Motel Agreements.

²⁶⁴ In other CAO reports, the LA Grand lease was reported to cover 473 rooms. Since the City reported 473 beds in the Roadmap Quarterly Reports, 473 was ultimately used for various calculations.

²⁶⁵ Homelessness Emergency Account - General City Purposes Fund Seventeenth Status Report (C.F 22-1545) as of Sunday, June 30, 2024 and Funding Recommendations, dated June 30, 2024, p. 11 of 42.

²⁶⁶ LA Daily News, LA City Council green-lights \$83 million deal to turn Mayfair Hotel into housing for homeless, dated August 18, 2023

²⁶⁷ The HEA account also provided cash flow loans of \$42.9 million for the acquisition which were reimbursed by the CDBG fund, the Municipal Housing Finance Fund, and Proposition HHH fund.

²⁶⁸ Beginning in Q4 FY 2023-24 coinciding with the opening date of May 1, 2024.

²⁶⁹ Office of the CAO Data, 19th HEA – Attachment 2; Homelessness Emergency Account - General City Purposes Fund Seventeenth Status Report (C.F 22-1545) as of Sunday, June 30, 2024 and Funding Recommendations, dated June 30, 2024, p. 12 of 42.

²⁷⁰ Office of the CAO Data, 19th HEA – Attachment 2.

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FIGURE 3.14

Summary of Expenses Reported by the City for the Inside Safe Program by Year

Expense Type	FY 2022-23	FY 2023-24	Grand Total
Private Motels	\$6,483,410	\$40,199,554	\$46,682,964
Contracted Motel (LA Grand)	8,749,681	23,422,369	32,172,050
Facility Expenses	31,203	277,069	308,272
Subtotal – Hotels/Motels Nightly Rentals	\$15,264,294	\$63,898,992	\$79,163,286
LAHSA Service Providers	\$11,027,650	\$28,579,919	\$39,607,569
Motel Acquisition (Mayfair and Homekey)	-	\$41,898,370	\$41,898,370
LADOT	54,922	-	\$54,922
Personnel	976,591	-	976,591
LAPD / LAPD Overtime	147,590	67,452	215,042
City Clerk - DSW Oversight	27,169	-	27,169
Mayor's Office	-	7,200,000	7,200,000
LAPD - Vehicle Recycling Program	-	250,000	250,000
Subtotal - City Departments	\$1,206,272	\$7,517,452	\$8,723,725
Grand Total	\$27,498,216	\$141,894,734	\$169,392,950

SOURCE: CAO Data, 19th HEA – Attachment 2

FIGURE NOTE: For the row labeled “LAHSA Service Provider” the amounts shown represent actual expenses reported by LAHSA to the City as of March 15, 2024.

FIGURE NOTE: For the row labeled, “Mayor’s Office,” The Mayor's Office reported to the CAO that approximately \$4.32 million of the \$7.2 million will be carried over into FY 2024-25.

FIGURE NOTE: The expenses exhibited for FY 2023-24 did not include the projected expenses identified for the fiscal year, estimated at \$37.9 million as of August 1, 2024. Expenses for FY 2023-24 also exclude \$42.9 million in cash flow loans from the HEA account for purchase of the Mayfair Hotel, which were subsequently reimbursed from non-General Fund funds.

In total, the City expended \$169.4 million from the General Fund for the Inside Safe Program from inception through June 30, 2024. The Inside Safe Program incurred \$141.9 million in FY 2023-24, less than the \$250 million initially budgeted, with a projected year-end balance of over \$90 million.

Nightly motel rates and the associated service provider costs comprise the majority of expenditures under the Inside Safe Program. According to the HEA Reports, as of June 30, 2024, there were 1,502 interim housing hotel rooms available for Inside Safe (including 294 rooms at the Mayfair Hotel).²⁷¹ The average nightly room rate in FY 2023-24 was \$118.41, with the exception of LA Grand, which had a nightly rate

²⁷¹ Homelessness Emergency Account - General City Purposes Fund Seventeenth Status Report (C.F 22-1545) as of Sunday, June 30, 2024 and Funding Recommendations, dated June 30, 2024, p. 8 of 42. (1,983 less 481 at the LA Grand.)

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of \$125 plus \$29 per person for meals.²⁷² Because the Mayfair Hotel was purchased by the City, there is no corresponding nightly rental rate.

The CAO's Office was involved in the invoicing process for Inside Safe across the Lookback Period. Generally, hotels and motels submitted invoices to the CAO's Office, where they were reviewed by both the CAO staff and service providers.²⁷³ Once the review was complete, the CAO submitted the invoice to the Mayor's Office for payment approval, and subsequently, to the City Clerk for payment processing. The City Attorney's Office also reviewed hotel/motel payments over a certain amount, especially if there was no booking or occupancy agreement in place. Of the active hotel/motel contracts, 31 of the 45 locations invoiced the City prior to contract execution.²⁷⁴

A&M reviewed a financial data extract for the HEA account to verify expenses reported in the HEA Reports. Figure 3.15 summarizes expenditures recorded within the HEA account for the respective fiscal years.

FIGURE 3.15

Summary of Inside Safe Program Expenditures Recorded in the Homeless Emergency Account (HEA) by Year

	FY 2022-23	FY 2023-24	Grand Total
Number of Hotel/Motels	23	52	N/A
Hotel/Motel Expenditures	\$2,964,083	\$33,529,810	\$36,493,893
Other Expenditures	13,600	48,620	62,220
Grand Total	\$2,977,683	\$33,578,430	\$36,556,113

SOURCE: City Accounting Data, Account 000959

The recorded amount of \$36.5 million in hotel/motel expenditures should reconcile to the \$46.7 million reported in the HEA Reports. However, the difference may be due to the timing of payments, as the HEA Reports include pending payments and/or payments made after the close of the fiscal year, whereas the HEA expenses analyzed by A&M included only those recorded within each fiscal year. Additionally, funds to support the LA Grand were transferred to GSD for payment, and consequently, not captured within the HEA accounting data analyzed by A&M.²⁷⁵ A&M confirmed there were \$26.1 million in expenses recorded for LA Grand invoices from February 1, 2023, (date of contract execution for use under Inside Safe)²⁷⁶ through April 30, 2024 based on separately provided Project Roomkey expense data.²⁷⁷

The other expenditures recorded in the HEA account relate to a garage/gate door vendor (FY 2022-23) and reimbursement to the LAPD for overtime (FY 2023-24). A&M did not find other expenses for Inside Safe reported in the HEA Reports (i.e., acquisition costs and reimbursements to City Departments) through

²⁷² Ibid.

²⁷³ Ibid..

²⁷⁴ Office of the CAO Data, List of Active and Expired Inside Safe Motel Agreements

²⁷⁵ Interview with the Office of the CAO on October 8, 2024; City Data, Project Roomkey Cost Summary and Payment Logs.

²⁷⁶ Office of the CAO Data, List of Active and Expired Inside Safe Motel Agreements.

²⁷⁷ City Data, Project Roomkey Cost Summary and Payment Logs.

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review of the HEA account. This is likely a consequence of funds being transferred out of the HEA account and to other departments before payment was remitted.

To better understand the invoicing process related to Inside Safe, A&M requested FY 2023-24 invoices submitted to the CAO for two of the Inside Safe hotels/motels visited during onsite fieldwork. Both motels were operating under a booking agreement with the City; therefore the amount of the invoices varied based on occupancy. Figure 3.16 below summarizes expenses for one of the locations – both the hotel/motel nightly costs and the associated service provider expenses invoiced to LAHSA.²⁷⁸ Service provider expenses included personnel (case managers, resident aides, drivers, etc.), security, and food expenses.

FIGURE 3.16

Summary of FY 2023-24 Motel Expenses and Service Provider Expenses for Sampled Inside Safe #2 Location

Month	Monthly Expenses			Number of Beds Served	Expenses per Bed, per Day		
	Hotel/Motel	Service Provider	Total		Hotel/Motel	Service Provider	Total
Jul-23	\$28,700	\$49,689	\$78,389	287	\$100	\$173	\$273
Aug-23	27,600	97,747	125,347	276	100	354	454
Sep-23	25,200	71,278	96,478	252	100	283	383
Oct-23	32,700	72,129	104,829	327	100	221	321
Nov-23	44,400	71,065	115,465	444	100	160	260
Dec-23	40,700	74,374	115,074	407	100	183	283
Jan-24	47,800	79,551	127,351	478	100	166	266
Feb-24	41,600	74,953	116,553	416	100	180	280
Mar-24	46,100	57,644	103,744	461	100	125	225
Apr-24	63,100	65,365	128,465	631	100	104	204
May-24	58,800	111,832	170,632	588	100	190	290
Grand Total	\$456,700	\$825,628	\$1,282,328	4,567	\$100	\$181	\$281

SOURCES: CAO Data, Motel Invoices; Service Provider EMGS Invoices

FIGURE NOTE: The hotel/motel invoiced the City weekly; weeks were categorized into months according to the invoice week end date. No service provider invoice was produced for June 2024; therefore, the Figure 3.16 concludes as of May 2024.

FIGURE NOTE: Service provider invoices included expenses for multiple hotel/motel locations; only expenses for the specific hotel/motel visited during fieldwork are included.

The weekly hotel/motel invoices outlined the rooms occupied by Inside Safe participants, including the check-in and check-out dates and service provider confirmation of those dates (presumably because the service provider would know on a day-to-day basis whether the room was, in fact, occupied).

²⁷⁸ A&M could not perform the same analysis for the other Inside Safe location because the service provider invoices were categorized by encampment locations and not by hotel/motel locations.

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Overall, for this Inside Safe location, the total cost per-bed, per-day was \$281 during FY 2023-24. The service provider portion of expenses, \$181 per-bed, per-day, was multiples higher than the budgeted bed rates for other subprograms operated by LAHSA; as will be discussed further, budgeted bed rates for services at A Bridge Home, Tiny Home Village, and Project Homekey ranged from \$55 to \$85 per bed at the outset of FY 2023-24. While differences in leasing costs or facility ownership make direct comparisons between total operating costs for subprograms difficult, paying for nightly room rentals at hotels/motels (in addition to service provider expenses) increases ongoing operating costs necessary to support the Inside Safe Program.

Inside Safe motel/hotel owners additionally invoiced the City for any property damage that occurred onsite, which further increased the overall cost of the program. This opportunity was unique to Inside Safe and other hotel-based interim housing options; based on A&M’s review of service provider invoices for other City housing interventions, such as A Bridge Home and Tiny Home Village, service providers were responsible for managing property damage within their allocated budget. While the City received invoices with pictures of the property damage, a copy of repair invoices, and proof of payment (which may simply note that the repair vendor was paid in cash) under Inside Safe,²⁷⁹ this added another layer of oversight complicating the City’s ability to determine whether the services paid for were necessary and received. Additionally, the majority of damage costs may not be fully recognized until the occupants exit the hotel, as evidenced by “final settlement” costs related to repairs that were paid to former Project Roomkey locations.²⁸⁰

3.6.1. INSIDE SAFE – ACTUAL EXPENDITURES (LAHSA)

Figure 3.17 below summarizes expenses invoiced to LAHSA by service providers and vendors under the Inside Safe program through June 30, 2024. Because Inside Safe is subsumed under the larger General Fund LAHSA Contract (C-140706), A&M identified specific Inside Safe service provider contracts using the two grant codes in LAHSA’s accounting files specified as relating to the Inside Safe Program.²⁸¹

²⁷⁹ Inside Safe Damage Claim Invoices.

²⁸⁰ City Data, Project Roomkey Cost Summary and Payment Logs.

²⁸¹ LAHSA Chart of Accounts, Crosswalk to City-Funded Contracts (Grant Codes 21010 and 21011).

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FIGURE 3.17

Summary of Expenses Invoiced to LAHSA by Service Providers and Vendors and LAHSA Internal Expenses Attributed to the Inside Safe Program by Year

Category of Cost	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Grand Total
Internal LAHSA	N/A	N/A	\$922,722	\$4,781,926	\$5,704,648
Vendors	N/A	N/A	2,755,989	-	2,755,989
Service Provider	N/A	N/A	8,405,605	42,040,079	50,445,684
Grand Total	N/A	N/A	\$12,084,316	\$46,822,005	\$58,906,321

SOURCES: LAHSA Accounting Data - General Ledgers (all City Funds); LAHSA Chart of Accounts, Crosswalk to City-Funded Contracts

FIGURE NOTE: Vendor amounts identified as “PRK” designated contract codes linked to internal LAHSA Agency Codes.

FIGURE NOTE: “Service Provider” line item includes \$1,394,386 in FY 2023-24 costs for the C-145331 contract related to the Mayfair Hotel.

LAHSA service providers incurred \$50.4 million in expenses for the Inside Safe Program throughout the Lookback Period; vendors incurred \$2.8 million. An additional \$5.7 million was recorded to LAHSA’s internal agency codes for Administration, Essential Services, and Operating Costs, the majority of which supported payroll, staffing, and computer software expenses. The \$58.9 million should reconcile to the \$39.6 million in LAHSA expenses reported in the HEA Reports. The difference may be due to the time period captured – the HEA Reports noted that expenses incurred by LAHSA service providers were as of March 15, 2024, whereas A&M analyzed expenses incurred through June 30, 2024.

KEY TAKEAWAYS OF SECTION 3.6

- The Inside Safe Program incurred at least \$169.4 million in expenditures during the Lookback Period, primarily funded through the City’s General Fund. This amount included nightly motel or hotel rental rates, supportive service expenses passed through LAHSA, as well as acquisition costs for interim housing properties.
- While differences in leasing costs or facility ownership make direct comparisons between total operating costs for subprograms difficult, paying for nightly room rentals at hotels or motels, in addition to service provider expenses, increases ongoing operating costs necessary to support the Inside Safe Program. Additionally, the City is exposed to increased costs in the form of damage claims submitted for reimbursement by motel owners.

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3.7 LAHSA FINANCIAL ASSESSMENT (INVOICING AND REIMBURSEMENT PROCESSES)

Throughout the Lookback Period, service providers managed by LAHSA incurred over \$500 million in expenses linked to City-funded LAHSA contracts related to the City Programs.

FIGURE 3.18

Summary of City Program Expenses Invoiced to LAHSA by Service Providers Linked to City-Funded LAHSA Contracts by Year

Program	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Grand Total
Roadmap	\$23,485,237	\$152,054,146	\$146,466,274	\$133,311,709	\$455,317,366
Alliance	N/A	N/A	4,818,632	7,870,142	12,688,774
Inside Safe	N/A	N/A	8,405,605	42,040,079	50,445,684
Grand Total	\$23,485,237	\$152,054,146	\$159,690,511	\$183,221,930	\$518,451,824

SOURCES: LAHSA Accounting Data - General Ledgers (all City Funds); LAHSA Chart of Accounts, Crosswalk to City-Funded Contracts

As part of the financial assessment, A&M analyzed how funds paid to service providers were managed at LAHSA, with a specific focus on the contractual requirements – between both the City and LAHSA, and LAHSA and the service providers – related to invoicing and payment processes. A&M also reviewed supporting invoice detail submitted by service providers managing the sampled sites to assess whether the supporting detail submitted with the invoices allowed LAHSA to substantiate the category or quantity of services being provided at each location.

From a high-level perspective, invoicing and reimbursement was intended to adhere to the following process:²⁸² First, LAHSA and the service provider executed a contract with defined budget categories for the upcoming fiscal year (or other defined budget period). Each month, the service provider was required to submit an invoice to LAHSA through the Enterprise Grants Management System (“EGMS”) containing spend amounts by the service provider for each of the budget categories, as well as Profit and Loss and general ledger data to support the expenses. LAHSA then reviewed the invoice submission and approved the invoice for payment (pending the resolution of any identified issues with the invoice). Subsequently, LAHSA compiled all service provider expenses linked to each City-funded contract – in this case, contracts related to the City Programs – and submitted those expenses to the City for reimbursement (i.e., the “cash request” process). The City then reviewed the cash requests and reimbursed LAHSA for the approved amount. LAHSA was to use the City funds to reimburse service providers. Each step in the process is discussed in further detail within this section of the report.

3.7.1. SERVICE PROVIDER CONTRACTS AND BUDGETING

Operating costs for service providers contracted through LAHSA were typically budgeted on an annual basis. Some types of housing interventions and/or LAHSA subprograms had stated bed rates that were set

²⁸² LAHD Homeless Services Invoicing Overview and Flow [No Date Available].

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by the City. For those subprograms, City-reported per night budgeted bed rates are below as of the beginning of FY 2023-24:²⁸³

- A Bridge Home: \$60 per night
- Tiny Home Village: \$55 per night
- Project Homekey: \$85 per night
- Safe Sleep: \$67 per night
- Safe Parking: \$30 per car per night
- Project Roomkey/Other Roadmap Interim Housing: Costs vary by site
- Inside Safe: Service provider budgets were approved on a per-encampment, by service provider basis.²⁸⁴

Budgets for other subprograms, such as TLS or HN, were established using other methodologies. All service provider budgets were further allocated to predetermined LAHSA EGMS cost categories for purposes of invoice tracking and submission. The largest cost categories containing expenses for the Programs were:^{285, 286}

- Operations (Non-Personnel)
- Supportive/Financial Services (Personnel)
- Operations (Personnel)
- Supportive/Financial Services (Non-Personnel)
- Rehabilitation
- Rental Assistance
- Administration Costs
- Financial Assistance
- Motel Vouchers
- Leasing
- Start-Up Costs – Furniture, Fixture and Equipment
- Rental Assistance

As previously discussed, each City-LAHSA contract may be funded through multiple different funding streams, whether that is the City's General Fund or state and federal government grants that the City passes through to LAHSA. LAHSA tracks these specific funding streams using grant codes. To the extent that a service provider contract is funded by multiple funding streams, each funding stream will have its own budget allocated to the categories above.²⁸⁷

Throughout the Lookback Period, LAHSA published multiple Cost Eligibility Matrices that provided additional detail on the activities and services permitted under the EGMS cost categories. For example, for

²⁸³ Twenty Fourth Report: COVID-19 Homelessness Roadmap Funding Recommendations, Attachment 1 (Note 2), dated May 31, 2024; CAO Report, Housing Bed Rates Adjustment Report, dated December 1, 2023, pp. 3-4 of 13.

²⁸⁴ Homelessness Emergency Account - General City Purposes Fund Seventeenth Status Report (C.F 22-1545) as of Sunday, June 30, 2024 and Funding Recommendations, dated June 30, 2024, p. 29 of 42.

²⁸⁵ LAHSA, Cost Eligibility Matrix - FY 2023-24, dated February 13, 2024.

²⁸⁶ LAHSA Accounting Data - General Ledgers (all City Funds).

²⁸⁷ LAHSA, EGMS Invoices.

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interim housing activities, LAHSA reported subcategories of allowable costs including, but not limited to:²⁸⁸

- Supportive/Financial Services (Non-Personnel) – Non-personnel activities related to the staff carrying out the supportive/financial services to the client; may include office supplies and equipment, transportation (milage reimbursement, leasing, insurance, gas for staff, client’s bus pass/tokens, documents, etc.), cell phone, etc.
- Operations (Non-Personnel) – Operations non-personnel costs are generally costs associated with running congregate site based facilities. Examples: cleaning supplies, meal preparation/food for participants (shelters), hygiene items, maintenance, site rent, security, equipment, insurance, utilities, costs necessary to operate the program.
- Operations (Personnel) – Staff overseeing the operations of the program. Operations personnel costs are generally positions associated with congregate site based facilities and these staff do not provide supportive services. Example: cook, driver, janitor, monitors (may be better allocated to supportive services based on the responsibility of the job description), security, etc.

Based on the cost eligibility guidance issued by LAHSA, service providers classified their actual expenditures into high-level EGMS cost categories. This approach afforded service providers a degree of interpretation and discretion. Further, for example, security was identified as eligible under different EGMS cost categories, complicating consistent classification of expenses.

Contract Modifications and Amendments

Contract amendments included any change to a service provider’s contract; contract modifications specifically affected the funding and could add, remove, or reallocate funding, and typically occurred after a contract amendment.²⁸⁹ LAHSA was expected to request approval of budget modifications from the City.²⁹⁰ Oftentimes, these amendments and/or modifications required City Council Authority if the overall contract amount was increased, or funds were being moved between accounts and/or program categories.²⁹¹

Once the modification was approved, LAHD sent an updated invoice spreadsheet (i.e., cash request template) to LAHSA. This process is currently being revised; however, during the Lookback Period, LAHD had responsibility for providing updated cash request templates.²⁹²

3.7.1.1. A&M Observations from Sampled Sites

For the sampled sites, A&M summarized the original awarded amount for FY 2023-24, the number of budget modifications within the fiscal year, and the final awarded amount based on service provider invoice submissions for the service provider contracts linked to each sampled site. With the exception of Inside Safe, services at each sampled site were encompassed under a single service provider contract with LAHSA, referenced as “sampled contracts” in the following analyses. Alternatively, most Inside Safe service provider contracts were structured around encampment locations and not necessarily motel locations; therefore, the service provider invoices may include additional expenses beyond those related solely to the sampled site visited during A&M fieldwork.

²⁸⁸ LAHSA, Cost Eligibility Matrix - FY 2023-24, dated February 13, 2024.

²⁸⁹ LAHD, “Budget Modifications” Training Presentation, dated October 8, 2024.

²⁹⁰ Ibid.

²⁹¹ LAHD, “Motion and Report Interpretation” Training Presentation, dated October 2, 2024.

²⁹² Interview with LAHSA GMC Department on September 18, 2024.

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FIGURE 3.19

Summary of FY 2023-24 Awarded Amounts for A&M Sampled Sites

Sampled Contract	LAHSA Subprogram	Budget Period	Awarded Amount	Beds	Budget per Bed	Budget Increases	Final Awarded Amount
Roadmap #1	A Bridge Home	7/1/2023-6/30/2024	\$2,196,000	100	\$60	1	\$2,305,200
Roadmap #2	A Bridge Home	7/1/2023-6/30/2024	2,196,000	100	60	1	2,375,300
Roadmap #3	Roadmap IH	7/1/2023-6/30/2024	7,135,320	232	84	1	7,217,520
Roadmap #4	Roadmap IH	7/1/2023-6/30/2024	2,938,980	146	55	1	3,085,126
Roadmap #5	Roadmap IH	7/1/2023-6/30/2024	2,954,232	72	112	-	2,954,232
Roadmap #6	Safe Parking	7/1/2023-6/30/2024	329,400	30	30	-	329,400
Roadmap #7	Safe Sleep	7/1/2023-6/30/2024	3,065,250	88	95	1	3,217,675
Roadmap #8	Tiny Home Village	7/1/2023-6/30/2024	4,026,000	200	55	1	4,226,201
Roadmap #9	Tiny Home Village	7/1/2023-6/30/2024	4,509,120	224	55	1	4,733,343
Roadmap #10	Homekey	7/1/2022-6/30/2024	18,279,716	148	N/A	3	21,398,266
Roadmap #11	Homekey	7/1/2022-6/30/2024	5,269,333	90	N/A	-	5,269,333
Alliance #1	Roadmap IH	7/1/2023-6/30/2024	5,175,874	143	99	3	7,870,142
Inside Safe #1	Inside Safe	6/1/2023-7/31/2024	9,019,449	473	N/A	1	15,128,732
Inside Safe #2	Inside Safe	3/20/2023-6/30/2024	2,445,279	N/A	N/A	3	4,665,455
Inside Safe #3	Inside Safe	1/1/2023-6/30/2024	3,695,274	N/A	N/A	2	13,073,433
Grand Total			\$73,235,227				\$97,849,358

SOURCES: Service Provider EGMS Invoices

FIGURE NOTE: Not all service provider contracts were budgeted on a fiscal-year basis; therefore, the “Budget Period” field represents the budget period (as reported in EGMS invoices) encompassing FY 2023-24.

FIGURE NOTE: The “Awarded Amount” exhibited was sourced from EGMS invoice summaries, not based on the service provider contracts.

FIGURE NOTE: Project Homekey sites (Roadmap Site #10 and Roadmap Site #11) do not have a calculated “Budget per Bed” because expenses are related to construction (e.g., general contractor and insurance expenses) and not participant services.

A&M confirmed that the original awarded amounts for the sampled A Bridge Home, Tiny Home Village, and Safe Parking sites were at the stated bed rate of \$60, \$55, and \$30, respectively. The budgeted rates for Roadmap Interim Housing locations varied. Roadmap Site #7 is part of the City’s Project Homekey Program but is operating as a Safe Sleep location until the owner begins construction of PSH,²⁹³ which may explain the misalignment between the awarded budget per bed (\$95) and the City’s published bed rate (\$67).

Twelve of the 15 sampled contracts had at least one budget increase during FY 2023-24. For Roadmap Sites #1 through #9, the City instituted across-the-board bed rate increases for interim housing

²⁹³ Twenty-Fifth Report: COVID-19 Homelessness Roadmap Funding Recommendations, dated August 1, 2024.

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interventions to be effective January 1, 2024.²⁹⁴ These increases were in response to an interim housing cost rate study by Abt Associates procured by LAHSA (with support from the County of Los Angeles) following concerns from service providers that bed rates did not adequately reimburse all operating costs.^{295, 296}

LAHSA's Grants Management and Compliance Department ("GMC") explained that LAHSA monitors spending throughout the year as service providers submit monthly invoices. If projections indicated overspending or underspending in one or more budgeted cost categories, a Grants Management Specialist would assess whether funds could be shifted among cost categories to address any shortfalls. Additionally, in 2024, a "spend-down tracker" was implemented to assist service providers with estimating spend for the upcoming months.²⁹⁷

It was challenging for A&M to thoroughly understand both LAHSA's and the City's processes for approving and enacting service provider budget modifications. Multiple stakeholders were involved, and both LAHSA and LAHD staff noted challenges arising from these budget adjustments. While budget modifications were in process, service providers were unable to submit invoices to LAHSA, resulting in reimbursement delays driven by the varying levels of stakeholder approval and additional administrative tasks required.²⁹⁸ In some instances, service provider contracts for the sampled sites were executed after the close of the fiscal year due to the time needed for budget amendments to receive all necessary reviews and approvals.

3.7.2. SERVICE PROVIDER INVOICE SUBMISSION AND LAHSA REVIEW

Service providers were paid by LAHSA under a cost reimbursement model; under this model, service providers must deliver services prior to receiving payment, which entailed the submission of reimbursement requests for incurred operating expenses to LAHSA.²⁹⁹

LAHSA mainly utilized EGMS to manage service provider invoices, or reimbursement requests, for the City Programs.³⁰⁰ Service providers were contractually obligated to submit invoices to LAHSA by the 15th of each month (i.e., 15 days after the end of the prior billing period).³⁰¹ The invoices contained a cover page with several overview fields, such as "Spent this Request," "Advance Recouped this Request," and "Payment Remaining After this Request." In the subsequent section of the invoice, the "Spent this Request" field was further broken out by funding source (e.g., "HCID/City General Fund," "City of LA/City General Fund) and budget category (e.g., "Supportive Services/Financial Services (Non-Personnel).") According to LAHD's *Homeless Services Invoicing Overview and Flow* document, each service provider invoice was required to include copies of the:³⁰²

- General ledger report that provides a history of transactions by account
- Profit and Loss statement outlining the service provider's financial position

²⁹⁴ CAO Report, Interim Housing Bed Rates Adjustment Funding Report, dated March 19, 2024, pp. 5-6 of 17.

²⁹⁵ Ibid.

²⁹⁶ Roadmap Sites #5 and #6 did not receive a budget adjustment; it is unclear from the data produced why these sites vary from other Roadmap interim housing sites.

²⁹⁷ Interview with LAHSA GMC Department on September 18, 2024.

²⁹⁸ GMC-GS Invoice Review Checklist, dated August 28, 2023, Step 2.

²⁹⁹ LAHD Homeless Services Invoicing Overview and Flow [No Date Available].

³⁰⁰ Per LAHSA personnel, there are instances where alternate methods are used for service provider invoice submission.

³⁰¹ Sampled Service Provider Contract Review, Section 10.A.

³⁰² LAHD Homeless Services Invoicing Overview and Flow [No Date Available].

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- Trial Balance describing revenue and expenses for the invoice period
- Projected total spending of the contract through the end of the fiscal year

The above requirements outlined in LAHD's documentation generally align with service providers' contractual requirements with LAHSA for invoicing:³⁰³

- Summary statement of revenue and expenditures or a detailed general ledger
- Any supplemental schedules necessary to support or reconcile the ledger and cost allocations to amount invoiced.

The contracts between LAHSA and service providers also required that the service provider maintain detailed information available upon request including but not limited to, receipts or invoices for goods and services, lease agreements, and payroll records.³⁰⁴ However, these were reviewed only if and when a service provider underwent monitoring by the compliance arm of LAHSA's GMC team.³⁰⁵

Once an invoice was uploaded to EGMS, the assigned Grant Specialist from GMC received an automated email. Each Grant Specialist provided oversight to a portfolio of approximately 28 to 31 service provider contracts.³⁰⁶ During their invoice review, the Grant Specialist's assigned responsibility involved evaluating two key factors:^{307, 308}

1. Confirming that the general ledger information supports or reconciles with the Profit and Loss statement and the invoiced amount, and
2. Verifying that the service provider has a sufficient budget in the relevant cost categories, as determined by funding source, to cover the invoiced amount.³⁰⁹

The Grant Specialist was expected to align the invoiced amounts to the support documentation provided, and confirm eligibility of expenses using the most recent cost eligibility matrix.³¹⁰ The Grant Specialist's oversight role also included confirming that the service providers calculated the administration and/or indirect costs correctly, which were, generally, allowed at 10% of direct costs based on the funding source.³¹¹ LAHSA reserved the right to disallow costs that did not meet requirements during invoice review.

General ledger information provides transaction-level detail that is compiled to create the Profit and Loss statement. For example, the general ledger may include an account for salaries or wages that lists individual employees and their associated bi-weekly payroll amount. For the Profit and Loss statement, the detailed general ledger information is consolidated into a single-line item for salaries and wages. By requiring the general ledger and the Profit and Loss statement, LAHSA aimed to confirm service provider spend from two different accounting sources.³¹²

³⁰³ Sampled Service Provider Contract Review, Section 12.A.1 and 12.A.2.

³⁰⁴ Sampled Service Provider Contract Review, Section 12.A.3.

³⁰⁵ Interview with LAHSA GMC Department on September 18, 2024.

³⁰⁶ Ibid.

³⁰⁷ Interview with LAHSA GMC Department on September 18, 2024; GMC-GS Invoice Review Checklist, dated August 28, 2023, Steps 5 & 6.

³⁰⁸ This section is not intended to include a detailed overview of every step LAHSA undertakes in invoice review and approval; instead, significant procedures are highlighted based on A&M's review of various contractual and procedural documentation, as well as discussions with LAHSA personnel.

³⁰⁹ GMC-GS Invoice Review Checklist, dated August 28, 2023, Steps 5 & 6.

³¹⁰ Interview with LAHSA GMC Department on September 18, 2024; GMC-GS Invoice Review Checklist, dated August 28, 2023, Step 8.

³¹¹ Sampled Service Provider Contract Review, "Subrecipient Advance, Administration Rate, Indirect Cost Rate Table."

³¹² Interview with LAHSA GMC Department on September 18, 2024.

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After the Grant Specialist completed their review, the invoice was then submitted for a second and final review by a Senior Grant Specialist or Manager before being approved and scheduled for payment.³¹³

Under the terms of the contract with service providers, LAHSA was required to pay service providers the approved reimbursement request within 30 business days of the receipt of the service provider's invoice, provided the invoice was uploaded to EGMS within 15 days of the end of the billing period. If the invoice was submitted late, the contract only obligated LAHSA to remit payment within 45 days of invoice receipt.³¹⁴ Additionally, service provider contracts under the City Programs were subject to terms that allowed LAHSA the right to disregard any invoices submitted later than 60 days after the service performance period.³¹⁵

Service Provider Advances

While service providers were paid on a cost reimbursement basis, service providers may have been eligible to receive advance payments after the contract was executed. Service providers did not submit an invoice for an advance; instead, service providers requested advances directly through EGMS.³¹⁶

Service providers were able to request an advance of 17%, based on 12-month grant term, under eligible City funding sources.³¹⁷ For City-funded contracts, LAHSA policies and procedures state that 20% of the advance amount is recouped in each month from October through February.³¹⁸ In other words, the monthly invoices submitted to LAHSA from October through February should have been reduced by an amount equal to 20% of the advance. There were additional policies and procedures for situations where the service provider's invoice was less than 20% of the advance, or instances where the service provider requested to postpone an advance recoupment.

3.7.2.1. A&M Observations from Sampled Sites – Invoice Submission and Review

A&M reviewed service provider invoices and supporting documentation submitted to LAHSA related to the sampled sites for FY 2023-24. In total, A&M reviewed over 200 invoices related to \$74.5 million in invoiced amounts.

³¹³ Interview with LAHSA GMC Department on September 18, 2024; GMC-GS Invoice Review Checklist, dated August 28, 2023.

³¹⁴ Sampled Service Provider Contract Review, Section 10.A, 10.B, and 10.C.

³¹⁵ Ibid.

³¹⁶ LAHSA, "Subrecipient Advance, Distribution, Recapture, and Repayment" Policy & Procedure document, dated June 24, 2024.

³¹⁷ LAHSA, Cost Eligibility Matrix - FY24-25 - Version 3.

³¹⁸ LAHSA, "Subrecipient Advance, Distribution, Recapture, and Repayment" Policy & Procedure document, dated June 24, 2024.

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FIGURE 3.20

Summary of Service Provider Invoices Reviewed Related to Sampled Sites for
FY 2023-24

Sampled Program Contract	LAHSA Subprogram	Beds	Invoices Reviewed	Amount Invoiced	Amount Paid by LAHSA
Roadmap #1	A Bridge Home	100	11	\$2,305,200	\$2,305,200
Roadmap #2	A Bridge Home	100	12	2,361,377	2,361,377
Roadmap #3	Roadmap IH	232	13	6,977,352	6,977,352
Roadmap #4	Roadmap IH	146	13	3,085,060	3,085,060
Roadmap #5	Roadmap IH	72	12	2,825,262	2,825,262
Roadmap #6	Safe Parking	30	12	327,337	327,337
Roadmap #7	Safe Sleep	88	16	3,042,218	3,042,218
Roadmap #8	Tiny Home Village	200	14	4,037,650	4,037,650
Roadmap #9	Tiny Home Village	224	13	4,402,368	4,402,368
Roadmap #10	Homekey	148	22	10,972,338	10,972,339
Roadmap #11	Homekey	90	21	4,160,541	4,160,541
Alliance #1	Roadmap IH	143	13	7,870,142	7,870,142
Inside Safe #1	Inside Safe	473	12	11,251,001	11,251,001
Inside Safe #2	Inside Safe	N/A	13	3,550,846	3,550,836
Inside Safe #3	Inside Safe	N/A	22	7,407,524	7,204,180
Grand Total			219	\$74,576,216	\$74,372,863

SOURCES: Service Provider EGMS Invoices; LAHSA Accounting Data - General Ledgers (all City Funds)

As illustrated in Figure 3.20 above, many service providers issued supplemental invoices during the fiscal year (i.e., more than 12 monthly invoices were submitted to LAHSA).³¹⁹

Figure 3.21 below summarizes whether service providers met submission timelines (within 15 days of the end of the billing period) and supporting documentation requirements.

³¹⁹ Project Homekey service providers for the sampled sites submitted two sets of invoices (same contract number but different award amounts), causing the invoice count to be relatively higher compared to other sampled sites.

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FIGURE 3.21

A&M's Assessment of Contractual Compliance for Sampled Contracts for FY 2023-24 Invoice Submission and Required Supporting Documentation

City Program	Number of Contracts	Median Days to Upload	Timely Invoice Submission by Provider			Deficient Supporting Financials	
			Always Met	Sometimes Met	Never Met	Profit and Loss	General Ledger
Roadmap	9	28	-	5	4	2	2
Roadmap – Project Homekey	2	16	-	2	-	2	1
Alliance	1	20	-	1	-	-	-
Inside Safe	3	37	-	2	1	-	-

SOURCES: Service Provider EGMS Invoices; LAHSA Accounting Data - General Ledgers (all City Funds)

From the sampled sites, A&M observed that none of the service providers consistently submitted invoices by the 15th day of each month. Submission times varied from month to month; some invoices were uploaded several months after the end of the respective billing period. Although the contracts between LAHSA and service providers permitted LAHSA to reject any invoice submitted more than 60 days after the service performance, or billing period, LAHSA did not appear to exercise that right and continued to approve payments even when service providers submitted invoices after the 60-day window.

Almost all service providers submitted the contractually required supporting documentation with each invoice. For the service providers that did not, the missing documentation was limited to one or more specific invoices within FY 2023-24 (i.e., not prevalent throughout the fiscal period), with the exception of one Project Homekey site under the Roadmap Program, for which the service provider consistently lacked a Profit and Loss statement.³²⁰ The sampled Project Homekey sites were undergoing construction during FY 2023-24. Consequently, the supporting financial information reflected capitalized construction costs that were not captured in Profit and Loss statements.³²¹ During the assessment, A&M confirmed with the City that LAHSA (through service providers) also managed the rehabilitation of buildings in conjunction with operational funding.³²²

While the supporting financial information submitted by service providers was compliant with contractual requirements, A&M observed several complications in utilizing that information to reconcile with the amount ultimately invoiced. First, there were no standardized formats or templates for service providers to use when submitting supporting Profit and Loss or general ledger statements. Because service providers potentially utilized different accounting software and/or systems, the financial information submitted varied in format. For example, some service providers submitted monthly general ledger reports, while others presented cumulative (year-to-date) reports,³²³ and at least one service provider submitted a general ledger without total amounts, limiting the ability to efficiently reconcile expense amounts.³²⁴ Additionally, some service providers submitted supplemental invoices, potentially including previously billed amounts that were not clearly distinguishable. Compounding these challenges, the supporting financial documents were

³²⁰ Roadmap Sampled Site #10.

³²¹ Interview with LAHSA GMC Department on September 18, 2024.

³²² Email from Office of the CAO, dated October 31, 2024.

³²³ Roadmap Sampled Site #3.

³²⁴ Roadmap Sample Site #6.

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typically uploaded in PDF format (i.e., digitalized document that cannot be modified), limiting the ability to reconcile data electronically. As a result, the invoice review process required the Grant Specialist to be familiar with the unique reporting formats used by each service provider in their portfolio.

Service providers were responsible for classifying expenses into the appropriate cost categories (e.g., determining if a cost was “Supportive Services – Personnel” versus “Operations – Personnel”). However, LAHSA did not verify the accuracy of these classifications when reviewing invoices for payment.³²⁵ In certain cases, there was a clear correspondence between a financial line item (e.g., a ‘payroll’ account) and a specific cost category (e.g., a ‘personnel’ category). In other instances, it was unclear how the monthly expenses reported in the Profit and Loss statement or general ledger were classified into the overarching cost categories. LAHSA explained that, on occasion, the Grant Specialist would follow up with service providers to clarify how the supporting financial information corresponded to the invoiced amount.³²⁶

With limited exceptions, A&M observed that the total amounts recorded in the general ledger aligned with those in the Profit and Loss statement. In the few exceptions observed, the issue did not appear to stem from errors in the supporting documentation but rather from the varying formats of the general ledger reports, which made it difficult to efficiently reconcile. Nevertheless, reconciling the total expenses from the supporting documentation to the invoiced amount remained a challenge.

Reconciling the supporting financial information with the invoiced amount was unclear in cases where only a portion of the service provider’s monthly expenses were claimed for reimbursement from LAHSA. A&M identified numerous instances where the difference between the general ledger total and the reimbursement requested amount were labeled “not billed,” although the rationale for excluding certain expenses classified as “not billed” was not always evident. In some cases, the “not billed” portion was noted within the supporting documentation, but it often appeared to be simply the difference between the general ledger total and the invoiced amount. This lack of clarity hindered the reviewers’ ability to accurately determine which expenses were ultimately claimed for reimbursement and, occasionally, prompted further follow up with the service provider.³²⁷ LAHSA also confirmed that service providers may rely on external funding sources (i.e., private donors, non-governmental grants, etc.) to support operations, resulting in the general ledger and Profit and Loss statements reflecting higher overall expenses than those invoiced to LAHSA.³²⁸ Furthermore, if a service provider held multiple contracts, the associated financial reports could include transactions unrelated to the specific contract, adding another layer of complexity when identifying expenditures tied to each specific reimbursement request.

In summary, the extent of LAHSA’s verification of the expenses reported in the general ledger and Profit and Loss statements, beyond ensuring the totals reconcile, remains unsubstantiated. In other words, A&M was not able to confirm that LAHSA actually validated the accuracy of the expenses, including that the service paid was actually provided. LAHSA noted that the invoice reviews were conducted at a high level, with Grant Specialists not performing a “deep-dive,” or in-depth, examination of expenses submitted for reimbursement.³²⁹ Detailed reviews of expenses, including assessments against contractual requirements and service providers’ budgets, were intended to occur during compliance reviews, which occurred on a

³²⁵ Interview with LAHSA GMC Department on September 18, 2024.

³²⁶ Ibid.

³²⁷ Interview with LAHSA GMC Department on February 12, 2025.

³²⁸ Interview with LAHSA GMC Department on September 18, 2024.

³²⁹ Interview with LAHSA GMC Department on September 18, 2024.

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3.7.2.2. A&M Observations from Sampled Sites – Utilization of Funds

A&M reviewed the service provider invoice documentation to assess the utilization of funds under the sampled contracts.

FIGURE 3.22

Summary of Invoiced Expenditures by Beds of the Sampled Sites for FY 2023-24

Sampled Program Contract	LAHSA Subprogram	Amount Invoiced	Beds	Invoiced Amount per Bed	Payroll and Benefits	Cost per Bed	% of Total	Rent	Cost per Bed	% of Total	Security	Cost per Bed	% of Total	Food	Cost per Bed	% of Total	Total – Expense Categories	% of Total Expenses Captured
Roadmap #1	A Bridge Home	\$2,305,200	100	\$63	\$539,760	\$15	23%	N/A	N/A	N/A	\$419,094	\$11	18%	\$559,583	\$15	24%	\$1,518,437	66%
Roadmap #2	A Bridge Home	2,361,377	100	\$65	438,254	\$12	19%	N/A	N/A	N/A	235,526	\$6	10%	268,203	\$7	11%	941,983	40%
Roadmap #3	Roadmap IH	6,977,352	232	\$82	911,646	\$11	13%	N/A	N/A	N/A	2,401,418	\$28	34%	1,495,506	\$18	21%	4,808,569	69%
Roadmap #4	Roadmap IH	3,085,060	146	\$58	984,429	\$18	32%	\$703,092	\$13	23%	107,640	\$2	3%	647,448	\$12	21%	2,442,609	79%
Roadmap #5	Roadmap IH	2,825,262	72	\$107	903,830	\$34	32%	1,303,603	\$49	46%	210,816	\$8	7%	269,137	\$10	10%	2,687,385	95%
Roadmap #6	Safe Parking	327,337	30	\$30	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Roadmap #7	Safe Sleep	3,042,218	88	\$94	2,159,409	\$67	71%	N/A	N/A	N/A	N/A	N/A	N/A	575,266	\$18	19%	2,734,676	90%
Roadmap #8	Tiny Home Village	4,037,650	200	\$55	2,371,001	\$32	59%	N/A	N/A	N/A	831,121	\$11	21%	609,052	\$8	15%	3,811,174	94%
Roadmap #9	Tiny Home Village	4,402,368	224	\$54	2,343,908	\$29	53%	N/A	N/A	N/A	759,523	\$9	17%	565,971	\$7	13%	3,669,402	83%
Roadmap #10	Project Homekey	10,972,338	148	\$203	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Roadmap #11	Project Homekey	4,160,541	90	\$126	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Alliance #1	Roadmap IH	7,870,142	143	\$150	550,763	\$11	7%	4,422,928	\$85	56%	1,523,124	\$29	19%	769,868	\$15	10%	7,266,683	92%
Inside Safe #1	Inside Safe	11,251,001	473	\$65	1,277,087	\$7	11%	N/A	N/A	N/A	5,458,103	\$32	49%	N/A	N/A	N/A	6,735,190	60%
Inside Safe #2	Inside Safe	3,550,846	N/A	N/A	2,052,496	N/A	58%	N/A	N/A	N/A	1,092,188	N/A	31%	223,919	N/A	6%	3,368,603	95%
Inside Safe #3	Inside Safe	7,407,524	N/A	N/A	4,279,447	N/A	58%	N/A	N/A	N/A	1,143,238	N/A	15%	1,015,695	N/A	14%	6,438,381	87%
Subtotal		\$74,576,216																
Less: Non-Itemized Sites (6, 10, 11)		(15,460,216)																
Grand Total		\$59,116,000			\$18,812,030		32%	\$6,429,623		11%	\$14,181,791		24%	\$6,999,648		12%	\$46,423,092	79%

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SOURCE: A&M utilized a combination of Profit and Loss and general ledger supporting financial data attached to EGMS service provider invoice submissions for the sampled contracts.

FIGURE NOTE: Roadmap Site #6 is excluded from the analysis because the invoice submitted by the service provider related to multiple contracts for multiple sites. Project Homekey sites (Roadmap Site #10 and Roadmap Site #11) are excluded from the analysis because expenses are related to construction (e.g., general contractor and insurance expenses) and not participant services.

FIGURE NOTE: Per CAO reports, Inside Safe #1 food costs were included in the nightly rate paid to the hotel/motel and not incurred by the service provider.

FIGURE NOTE: Bed counts are not included for Inside Safe #2 and #3 due to the bed count varying based on participation at each hotel/motel operation under booking agreements.

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In an effort to interpret the high-level financial reports submitted by service providers, A&M attempted to identify and compare the most substantial areas of spending across the sampled sites: payroll and benefits for personnel, rent (for service providers that pay rent directly), food/meals, and security services. However, because the financial reports lacked clear or standardized breakdowns, accurately distinguishing these costs proved challenging. A&M could not definitively verify that these expenditures represented the complete cost expended by each service provider for the summarized cost categories, as the analysis was limited by the level of detail in the submitted reports. The findings nonetheless illustrated both the complexity of analyzing costs tied to homelessness assistance services based on the documentation submitted by service providers, and the wide variability in reported expenditures across the sampled sites. For example, A&M observed variability in per-bed, per-day rates within the same type of subprogram; amounts were based on total bed count, unadjusted for actual occupancy:

- A Bridge Home | Food/M meal Expenses | Roadmap Site #1: \$15 | Roadmap Site #2: \$7 ³³¹
- Roadmap Interim Housing | Security | Roadmap Site #3: \$28 | Roadmap Site #4: \$2

Even across different types of subprograms, the costs varied. Identifiable food expenses ranged from an estimated \$7 per-bed, per-day to \$18 per-bed, per-day. Personnel cost varied from \$67 per-bed, per-day at Roadmap Site #7 to \$7 per-bed, per-day at Inside Safe Site #1. Additionally, for Inside Safe Site #1, the invoices indicate that the service provider received additional funding directly from the County, meaning that the City's expenses in Figure 3.22 may only fund services for a portion of the reported beds. Therefore, although these amounts should not be regarded as absolute, they illustrate the challenges of determining which services the City funded, and the nuance involved in reviewing financial records when assessing the overall cost of homelessness assistance services.

LAHSA did not provide evidence that LAHSA personnel performed a sufficient degree of review (or conducted follow up with service providers) to better understand factors contributing to varying levels of expenses, not only between different service providers, but month-to-month variances for the same service providers, prior to approval for invoice payment across the Lookback Period. However, LAHSA personnel explained that service providers have discretion over allocating the total awarded (or budgeted) amount among various services, recognizing that each service providers' operating model may differ by site location or subprogram. ³³²

Conducting informed analyses of the general ledger and/or Profit and Loss statements submitted with EGMS invoices may have been challenging for LAHSA. Without itemized receipts or vendor invoices to support the listed amounts, it would be difficult to determine the underlying drivers of the reported expenses. For instance, in the documentation reviewed, A&M identified a general ledger that listed a single line item for "Security" with a corresponding amount.³³³ Consequently, LAHSA would not have been able to determine the number of security personnel involved, the hours billed, or corresponding hourly rates for each security guard, making it difficult to assess cost reasonableness based solely on the financial reports accompanying the invoice. In another instance, during onsite fieldwork, A&M met with a case manager at one of the sites. This individual, who reported being one of two case managers and having worked at the site for approximately two years, did not appear in the general ledger payroll records submitted to LAHSA for FY 2023-24. However, eleven other case managers were listed. This discrepancy indicates a potential

³³¹ Occupancy rates did not appear to contribute to the disparity in food costs based on enrollment data within HMIS. Additionally, during onsite fieldwork, concerns were noted regarding the quality of food at Site Roadmap #2.

³³² Interview with LAHSA GMC Department on February 12, 2025.

³³³ Roadmap Sampled Site #4 - March 2024 Invoice, p. 12 of 14.

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misalignment between the invoices submitted for reimbursement and the actual services provided at the site, underscoring the challenges in verifying staffing costs and ensuring that invoiced expenses align with site operations.

Further, LAHSA occasionally disallowed certain expenses during the invoice review process. Across the sampled sites, A&M identified three instances where expenses were deemed “disallowed” during the invoice review process. These disallowances were not based on the type of expense or its inherent eligibility; rather, the amounts exceeded budgetary or allowable rate limits or surpassed the total expenses reflected in the supporting documents.

- Roadmap Site #7: \$13,006 disallowed.³³⁴ The initial amount requested from the service provider included a payroll amount plus 40% fringe benefits. However, the general ledger and Profit and Loss statement did not support the 40% fringe rate (i.e., actual fringe benefits were lower than 40%). Therefore, the difference between the service provider’s calculated expenses and the actual expenses supported by the underlying documentation was disallowed within the Operating Costs-Personnel budget category.
- Roadmap Site #8: \$226,606 disallowed.³³⁵ The service provider exceeded the total budget allocated to specific cost categories, resulting in the disallowance of any amounts above the approved budget.
- Inside Safe #2: \$3,762 disallowed.³³⁶ The amount claimed for reimbursement exceeded the expenses recorded in the general ledger and Profit and Loss supporting documentation.

Based on the applicable invoice review policies and procedures, discussions with LAHSA personnel, and documentation provided, A&M determined that, during the Lookback Period, LAHSA approved invoices based exclusively on the financial reports submitted. LAHSA did not contemporaneously verify that the financial reports reflected the actual services provided at the given location before approving payment. The high-level financial review performed by LAHSA allows for potential misalignment between the services being reimbursed and those outlined in the service providers’ contracts, which may directly affect the quality of services reaching the population being served.

3.7.3. CASH REQUEST PROCESS

To receive reimbursement from the City for incurred service provider expenses, LAHSA aggregated service provider expenses and LAHSA administrative costs and submitted a “cash request” to the City. Separate “cash requests” are submitted for each City-LAHSA contract. According to LAHD’s *Homeless Services Invoicing Overview and Flow* documentation, each cash request must contain:³³⁷

- Supporting documentation with a report of LAHSA’s direct costs and total “Subrecipient Expenditures”
- Schedule of total “Subrecipient Expenditures by Subrecipient”
- General Ledger, Trial Balance, Revenues, and Expenditures

Additionally, Inside Safe cash requests must contain the following documents:

- Service providers’ invoices

³³⁴ Roadmap Sampled Site #7 - July 2023 Invoice.

³³⁵ Roadmap Sampled Site #8 - May 2024 Invoice.

³³⁶ Inside Safe Sampled Site #2 - July 2023 Invoice.

³³⁷ LAHD Homeless Services Invoicing Overview and Flow [No Date Available].

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- Service providers' General Ledger Report and Trial Balance
- Service providers' Profit and Loss Statement

Notably, with the exception of Inside Safe, the City did not request nor review the service provider invoices submitted to LAHSA. The *Homeless Services Invoicing Overview and Flow* documentation guidelines generally align with the City-LAHSA contractual requirements for invoicing the City, outlined below:

- Roadmap (C-137223)³³⁸
 - Expenditure Report – “Due on or before the 15th day of each month, [LAHSA] shall submit the Expenditure Report to the City, which reflects accrued expenditures as of the previous month on forms provided by the City.”
- Roadmap (C-144656)³³⁹/Alliance (C-141840)³⁴⁰/Inside Safe (C-140706)³⁴¹
 - LAHSA is required to submit quarterly invoices on the prescribed forms and based on a budget approved by LAHD. LAHSA may submit invoices more frequently. The forms are:
 - Cash Request
 - Summary by City Budget Line (C-144656 only)
 - Expenditure Report
 - Schedule of Subrecipients

Accordingly, LAHD created each City-LAHSA cash request template and provided the templates to LAHSA's accounting group.³⁴² Each of the above forms contained differing levels of detail regarding costs incurred by LAHSA and service providers. The “Schedule of Subrecipients” provided the highest degree of detail and included at least one separate line item for each service provider contract. The Schedule of Subrecipients may include multiple lines for a service provider contract, differentiated by the primary City grant funding source (e.g., ESG-CV funds, General Funds), annual budget period, or both.

Each service provider contract line item on the Schedule of Subrecipients tracked relevant financial information and included the following fields of information:

1. Original Approved Budget
2. Budget Amendments
3. Approved Budget (1+2)
4. Year-to-Date Expenditures
5. Previous Report Year-to-Date Expenditures
6. Expenditure for the Period (4-5)
7. Advance Requested
8. Cash Released and In Transit
9. Current Amount Requested (4+7-8)
10. Budget Balance per LAHSA YTD and Cash Released & Requested (3-8-9)

LAHSA submitted an Excel version of the cash request to LAHD, as well as a PDF version of the document, which contained a cover letter indicating the relevant Contract number, City Program, and amount

³³⁸ City/LAHSA Roadmap Contract C-137223, Section 601.B.1.

³³⁹ City/LAHSA Roadmap Contract C-144656, Section 601.B.1.

³⁴⁰ City/LAHSA Alliance Contract C-141840, Section 601.B.1.

³⁴¹ City/LAHSA General Fund Contract C-140706, Section 601.B.1.

³⁴² Interview with LAHSA Finance Department on September 18, 2024.

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requested. As of May 2024, there were four LAHD personnel budgeted to perform LAHSA oversight, which included processing cash requests.³⁴³

LAHD's review of LAHSA cash requests entailed the following key steps:^{344, 345}

- Ensure that the Excel workbook had the same information as the PDF submissions, plus required backup documentation.
- Ensure that the cash requested amount from each tab (tabs: Cash Request, Summary by City Budget Line, Expenditure Report, Schedule of Subrecipients) matched the requested amounts within the Excel and PDF documents.
- Ensure no advances were requested for federal funding sources.
- Other items to review:
 - LAHSA is not requesting more than what is budgeted,
 - LAHSA is not requesting more advance than allowed,
 - No requests are being made for line items that are labeled 'unallocated,' and
 - LAHSA is not trying to move funds between line items or program categories.

Per discussions with LAHD personnel, LAHD would disallow amounts when:³⁴⁶

- Amount requested was over budget,
- Duplicate advances were requested, or
- If LAHSA requested something that was in excess of an amendment, or if for some reason, the necessary funds had not been transferred to LAHD.

The City was responsible for remitting payment of the "current amount requested" (less any disallowed amounts) to LAHSA after review and approval.³⁴⁷

LAHSA Advances From the City

During the Lookback Period, LAHSA was eligible to receive 25% of the annual budget for each service provider contract in the form of an advance payment.³⁴⁸ These advances were not automatic and had to be requested within a cash request. Recoupment of the advance was to begin immediately.

The 25% advance paid by the City to LAHSA was unrelated to the advance (often 17%) that LAHSA paid to service providers. The City's payments to LAHSA were not influenced by the methods LAHSA employed (e.g., advances or other arrangements) for disbursing funds to service providers.

3.7.3.1. A&M Observations of Cash Request Process

It is important to understand the significance of cash requests in the flow of funds between the City, LAHSA, and service providers. LAHSA is a "pass-through" entity for City funds, meaning that while

³⁴³ Six budgeted positions with two vacancies. (LAHD, LAHSA Oversight Policies & Procedures, revised September 2024, p. 6 of 37).

³⁴⁴ LAHD, LAHSA Oversight Policies & Procedures, revised September 2024, pp. 10-12 of 37.

³⁴⁵ This section is not intended to include a detailed overview of every step LAHD undertakes in invoice review and approval; instead, significant procedures are highlighted based on A&M's review of various contractual and procedural documentation, as well as discussions with LAHD personnel.

³⁴⁶ Interview with LAHD personnel on July 26, 2024.

³⁴⁷ LAHD, LAHSA Oversight Policies & Procedures, revised September 2024, pp. 10-13 of 37.

³⁴⁸ Interview with LAHSA Finance Department on September 18, 2024.

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LAHSA was the entity that contracted with and directly paid service providers, funds for payment originated from the City.³⁴⁹ Therefore, it is vital that cash requests were submitted in a timely manner to ensure that LAHSA had sufficient cash flow to cover payments due to service providers.

A&M first assessed cash requests related to the Roadmap Program. The initial Roadmap Program-Named LAHSA Contract (C-137223) was the only contract with specified due dates for cash requests (due on or before the 15th day of each month).³⁵⁰ A&M inventoried the cash requests submitted under Roadmap Program-Named LAHSA Contracts, including the submission date to LAHD, the amount requested, and the “months covered” (i.e., the service provider invoice periods included in the cash request). The original Roadmap Program-Named LAHSA Contract (C-137223) commenced in October 2020 and terminated at the end of September 2023; therefore, 36 monthly cash requests should have been submitted to the City. In total, LAHSA submitted 23 cash requests under Contract C-137223, failing to consistently meet the monthly requirement.

Through A&M’s analysis of the cash requests and discussions with City and LAHSA personnel, the complexity of the cash requests – specifically those for Roadmap Program-Named LAHSA Contracts – was a paramount issue. The contract period for the original Roadmap Contract (C-137223) contributed to the lengthy and complex nature of the Roadmap cash requests. The original Program-Named LAHSA Contract spanned the entire period of October 2020 to September 2023. This period encompassed FY 2020-21 (partial), FY 2021-22, FY 2022-23, and the first three months of FY 2023-24. However, service provider contracts were typically tracked by annual budget periods. At the time of the final cash request (Roadmap Cash Request #23), not only were current (FY 2023-24) service provider contracts accounted for, but there were also outdated line items related to prior budget periods. In total, Roadmap Cash Request #23 included over 425 lines of service provider information on the Schedule of Sub-Recipient[s].³⁵¹

LAHSA personnel manually updated the cash request templates prior to each submission. The key data point updated within the cash request was the “Year-to-date expenditures.” LAHSA accounting personnel extracted up-to-date LAHSA general ledger expense data and summarized the cumulative amount of expenses for each service provider contract for the relevant period. The difference between this cumulative expense amount and the amount claimed on the prior cash request (plus any advances) equaled the current amount requested.³⁵² The month of service provider expenses subsumed within LAHSA’s general ledger expense data will vary due to the number of service providers involved and the fact that not all service providers submit invoices according to contractual due dates. In other words, a cash request submitted in September of a given year may include current expenses through August for one service provider and only through June for another service provider (the latter having not met invoice submission requirements). As a result, it is difficult to determine – without delving into the details – what months of expenses were included at the time of the cash request for any given service provider contract.

Based on A&M’s review of cash requests, LAHSA utilized functions (e.g., formulas) within Excel to electronically summarize the detailed general ledger information into year-to-date expenditures, “YTD Expenditure.” However, A&M identified instances of manual adjustments (i.e., hardcoded amounts) within the formulas. LAHSA explained that this was occasionally necessary for contracts listed in multiple sections

³⁴⁹ LAHD Homeless Services Invoicing Overview and Flow [No Date Available].

³⁵⁰ City/LAHSA Roadmap Contract C-137223, Section 601.B.1.

³⁵¹ Roadmap Cash Request #23.

³⁵² Interview with LAHSA Finance Department on September 18, 2024.

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of the cash request.³⁵³ LAHSA also needed to edit the Excel formulas over time as new grant codes were added/removed, budget periods were extended, or other adjustments were necessary.

Additionally, LAHSA personnel described difficulty in ensuring that amounts were not overbilled when a service provider contract was funded from multiple City contracts.³⁵⁴ For example, as previously demonstrated, some Roadmap service provider contracts were also funded through the City-LAHSA HHAP contract. In this instance, expenses for the same service provider contract, from the same LAHSA general ledger accounting data, must be parsed between two different cash request templates.

Many of the other inputs in the cash request template were also manually updated: expenditures from the previous cash requests, and the amount of “Cash Released and In Transit” from the City related to prior cash requests. At the time of this report, LAHSA had only two personnel responsible for assembling the cash requests, covering all of the City-funded LAHSA contracts with total expenditures in FY 2023-24 alone of over \$250 million. While the LAHSA personnel responsible for the cash request process demonstrated a strong understanding of the process and possessed the necessary skills to manage the tasks, it was apparent that additional staffing was needed to ensure optimal accuracy and efficiency.^{355,356}

A&M also encountered difficulty reconciling the amount that LAHD paid LAHSA for each submitted cash request due to the structure of the cash requests and the corresponding amounts recorded in the City’s financial management system. Each cash request was broken down into multiple payment entries in LAHD’s accounting data (based on the specific appropriated line item, e.g., 43TA29 - Tiny Home Operations - 1060 Vignes’), but there was no field in LAHD’s accounting data linking these entries directly to the corresponding cash request. Therefore, the process to reconcile whether the City reimbursed LAHSA for the full amount requested required A&M to crosswalk subtotal amounts to the cash request, which as previously discussed, were difficult to follow. Consequently, A&M was not able to fully reconcile the amounts paid for each cash request submitted to LAHD under the City Programs.³⁵⁷

Overall, the cash requests were complicated and cumbersome documents that did not provide the City with the transparency needed to ensure funds were spent as intended. By the time the cash request reached the City, LAHD personnel were primarily checking whether the cash request made logical sense (i.e., do the numbers – already summarized at a high level – reconcile; confirming that budgetary limits were not exceeded) before remitting payment to LAHSA. Former LAHD personnel described that the department “pays the bills” and did not have adequate staffing to perform any level of detailed oversight.³⁵⁸

3.7.3.2. A&M Observations of Transition From Old Roadmap to New Roadmap Contracts

The City and LAHSA executed a new Roadmap contract (C-144656, the “New” Roadmap contract) effective October 1, 2023.³⁵⁹ At the request of the CAO, the creation of the New Roadmap contract coincided with the winddown of ESG-CV federal funds,³⁶⁰ which supported a large portion of the original

³⁵³ Ibid.

³⁵⁴ Ibid.

³⁵⁵ LAHSA Accounting Data - General Ledgers (all City Funds).

³⁵⁶ Ibid.

³⁵⁷ LAHD’s data can be summarized on a City-LAHSA Contract basis, allowing for total City Program expenses to be quantified; at the time of this report, payments to LAHSA in LAHD’s accounting data were less than those service provider expenses recorded in LAHSA’s accounting system (i.e., the amounts presented throughout this Report), as would be expected due to timing of the invoicing and payment processes.

³⁵⁸ Interview with LAHD Management on June 17, 2024.

³⁵⁹ City/LAHSA Roadmap Contract C-144656.

³⁶⁰ Interview with LAHD LAHSA Oversight Unit on October 24, 2024.

Roadmap contract. As such, the original Roadmap Contract (C-137223, the “Old” Roadmap contract) was closed out and new cash request forms were established for the New Roadmap contract.

Per LAHSA and LAHD’s own perspective,³⁶¹ the transition between Roadmap Program-Named LAHSA Contracts was problematic and caused a significant disruption in the accounting processes and, therefore, in the payment schedule between the City and LAHSA. This disruption was exacerbated because the transition became effective three months into the fiscal year – appropriations had already been made to service providers for FY 2023-24 under the Old Roadmap contract, which then had to be transferred to the New Roadmap contract. Additionally, LAHSA and LAHD tried to ensure that any payments made for the first three months of FY 2023-24 were appropriately accounted for on the New Roadmap cash requests.

FIGURE 3.23

Summary of Roadmap Program Cash Requests Related to Service Provider Expenses Incurred During FY 2023-24

Cash Request	For the Month(s) of	Amount Requested	Submitted to City
Old Roadmap #22	June 1, 2023 - August 1, 2023	\$50,341,660	10/26/2023
Old Roadmap #23	June 1, 2023 - September 30, 2023	13,092,184	5/8/2024
New Roadmap #1	October 1, 2023 - December 31, 2023 (Advance amounts only)	19,905,182	7/10/2024
New Roadmap #2	October 1, 2023 - June 30 2024	35,728,723	8/2/2024
New Roadmap #3	Not Related to FY 2023-24 Expenses/Cash Requests for FY 2024-25 Advances		
New Roadmap #4	Not Related to FY 2023-24 Expenses/Cash Requests for FY 2024-25 Advances		
New Roadmap #5	June 1, 2024 - June 30, 2024	6,906,214	10/29/2024

SOURCE: Roadmap C-137223 Cash Request Nos. 22-23; Roadmap C-144656 Cash Request Nos. 1-5; LAHD Data, Cash Request Tracker

Cash Request #23 – the last cash request submitted under the Old Roadmap contract – was submitted to LAHD on May 8, 2024.³⁶² Based on the dates, LAHSA did not request reimbursement from the City for the remainder of expenses under the Old Roadmap contract related to services provided on or before September 30, 2023, until seven months after the expenses were incurred. According to LAHD, the delay was due, at least in part, to the tedious process of ensuring that all amounts claimed under the federal ESG-CV grant met the requirements as “allowable” expenses.³⁶³ This process involved requesting and reviewing supporting documentation for certain expenditures, which hindered the closeout process.

Cash requests under the New Roadmap contract did not go into effect until the Old Roadmap contract had effectively been closed out. Even though service providers worked at Roadmap locations throughout the entirety of FY 2023-24, and LAHSA continued to pay service providers, LAHSA did not submit a cash request until July 2024, or nine months after contract went into effect on October 1, 2023.

Observations From Sampled Sites

³⁶¹ Interview with LAHD LAHSA Oversight Unit on October 24, 2024; Interview with LAHSA Finance Department on September 18, 2024.

³⁶² Roadmap Cash Request #23.

³⁶³ Interview with LAHD LAHSA Oversight Unit on October 24, 2024.

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A&M attempted to trace expense amounts from service provider invoices for sampled contracts for FY 2023-24 to the associated cash requests where those expense amounts were requested from the City. As discussed, the “months covered” indicator included on the cash requests often covered large periods of time. A&M also noted instances where the “months covered” indicator was incorrect.³⁶⁴ Therefore, this did not help to pinpoint the specific months of expenses included in “Expenditures for the Period.”³⁶⁵ Consequently, A&M’s process involved trial-and-error to determine which cash request contained expenditures for the relevant service provider invoices.

Roadmap Program – Sampled Sites

For the Roadmap sampled sites (excluding Project Homekey contracts), A&M was able to trace FY 2023-24 service provider expenditures to the associated cash requests submitted to the City. In tracing these service provider expenditures through the relevant cash requests, A&M identified potential accounting deficiencies regarding advances the City paid to LAHSA for at least four of the nine Roadmap service provider contracts. LAHSA requested, and the City paid, a 25% advance of the annual FY 2023-24 budget on both Old Roadmap Cash Request #22 and New Roadmap Cash Request #1 for at least four service provider contracts.³⁶⁶ As a result, at the time of this report, it appears that LAHSA received duplicate cash advances that were not accurately accounted for within the New Roadmap cash requests (i.e., LAHSA received payment in excess of the FY 2023-24 service provider costs incurred in an amount equal to a 25% advance).

A&M discussed these observations with LAHSA personnel and LAHSA provided two different explanations for the receipt of multiple advances:

- The advance amount from Old Roadmap Cash Request #22 was related to FY 2022-23 and not FY 2023-24.³⁶⁷ A&M has not been able to verify this information; however, A&M did confirm that the advanced amounts equated to 25% of the FY 2023-24 budget (and not FY 2022-23).
- The advance amounts from Old Roadmap Cash Request #22 and New Roadmap Cash Request #1 were not duplicative and merely represented two separate quarterly advances available to LAHSA.³⁶⁸ Even if this is correct, and LAHSA was eligible to request multiple advances within the same fiscal year, the “Cash Released and In Transit” field within New Cash Request #1 does not appear to account for the receipt of advance funds from Old Roadmap Cash Request #22.

Based on the information reviewed to date, LAHSA and the City should review advance payments made to LAHSA for service provider contracts claimed for reimbursement on both Old Roadmap Cash Request #22 and New Roadmap Cash Request #1 for potential overpayments.

A&M also analyzed the time between cash request submission and City payment and found the following:

- Old Roadmap CR #22: 26 days
- Old Roadmap CR #23: 21 days
- New Roadmap CR #1: 13 days

³⁶⁴ For example, at least four of the sampled Roadmap contracts had monthly invoices from the first three months of FY 2023-24 (July, August, September 2023) claimed under New Roadmap Cash Request #2, which indicated that the period covered was October 1, 2023 – June 30, 2024.

³⁶⁵ ‘Expenditures for the period’ did not always align with the ‘current amount requested’ for a given contract, as previously received advances may cover partial or full expenses for the period.

³⁶⁶ Roadmap Sampled Sites #2, #4, #8, #9.

³⁶⁷ Email from LAHSA Finance Department, dated November 22, 2024.

³⁶⁸ Interview with LAHSA GMC Department on September 18, 2024.

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- New Roadmap CR #2: The City finalized payment for \$32.7 million of the \$35.7 million requested on August 9, 2024 (7 days after submission).³⁶⁹ As of October 2024, the payment had not been allocated to specific service provider contracts.
- New Roadmap CR #5: 32 days³⁷⁰

For Roadmap (Project Homekey) sampled sites, A&M experienced difficulty in tracing FY 2023-24 service provider expenditures to the associated cash requests. A&M requested – and LAHSA provided – a crosswalk to directly link each monthly service provider invoice to the associated cash request.³⁷¹ However, after review of the crosswalk, A&M remained unable to identify or confirm which cash requests included the relevant monthly invoice amounts.

Alliance Program – Sampled Sites

The City-LAHSA Alliance contract included one service provider contract during the Lookback Period; therefore, review of the cash requests was relatively straightforward compared to Roadmap and Inside Safe. A&M confirmed that the amount invoiced by the service provider matched the amount LAHSA requested from the City for FY 2023-24.³⁷²

The City remitted payment to LAHSA within 15 days for all Alliance cash requests reviewed for FY 2023-24.

Inside Safe Program – Sampled Sites

A&M could not comprehensively trace FY 2023-24 service provider expenditures to the associated cash requests for Inside Safe. A&M requested – and LAHSA provided – a crosswalk to directly link each monthly service provider invoice to the associated cash request.³⁷³ However, after review of the crosswalk, A&M remained unable to identify or confirm which cash requests included the relevant monthly invoice amounts.

Even so, A&M analyzed the time elapsed between LAHSA's cash request submission and City payment utilizing accounting data. A&M observed that, compared to the Roadmap and Alliance Programs, City payment took a significantly longer period of time, particularly for the cash requests submitted at the beginning of the Inside Safe Program – LAHSA received payment for Inside Safe Cash Request #2 and Inside Safe Cash Request #3 after 216 days and 172 days, respectively.

The time lag observed between some Inside Safe cash requests and payments is due, at least in part, to the deviation from the normal cash request review process undertaken by LAHD and other City departments. Unlike the Roadmap and Alliance Programs, LAHD and the CAO received the actual EGMS invoices submitted by service providers with supporting financial documentation, in addition to the cash request, during the Lookback Period. Typically, LAHD performed the standard verifications of the cash request while the CAO reviewed the supporting financial documentation.³⁷⁴ Per an email regarding Inside Safe Cash Request #6, dated June 18, 2024, LAHD management stated to the Office of the CAO:³⁷⁵

³⁶⁹ LAHD Data, Cash Request Tracker.

³⁷⁰ Per LAHD, partial payment of New Roadmap CR#5 was made on December 2, 2024. Due to the recency of the payment, A&M was not able to confirm in accounting data. (Email from LAHD, dated January 6, 2025).

³⁷¹ LAHSA Data, Subrecipient Invoice to Cash Request Crosswalk.

³⁷² Excluding expenses for the month of June 2024, which did not appear to be included in a cash request to the City at the time of this analysis.

³⁷³ LAHSA Data, Subrecipient Invoice to Cash Request Crosswalk.

³⁷⁴ LAHD, LAHSA Oversight Policies & Procedures, dated April 2024, pp. 9-20 of 53.

³⁷⁵ Payment Package, Inside Safe Cash Request #6, dated June 2024, p. 7 of 7.

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...LAHD is going to go ahead and process the LAHSA CR6 request without detailed review of the subcontractor invoices...the subcontractor review takes weeks. We do not do that level of subcontractor review with any other contracts – [LAHD] rel[ies] on LAHSA or our other contractors to review their providers’ payment requests...If we want to get this payment made before the end of the fiscal year, we need to proceed with this approach now.

Based on the email correspondence, it appeared that in order to process timely payments to LAHSA, the City did not consistently review the additional service provider details submitted in conjunction with the Inside Safe cash requests. This exchange further highlighted confusion surrounding the responsibility for reviewing these Inside Safe cash requests; as outlined in LAHD’s process documentation, LAHD staff would only assist the CAO in examining supporting, or “backup,” documentation when deemed necessary.³⁷⁶ The cash request was recommended for payment, noting “LAHD to reconcile at a future time.”³⁷⁷

3.7.4. LAHSA PAYMENTS TO SERVICE PROVIDERS AND ADVANCE RECOUPMENT

LAHSA is contractually obligated to pay service providers for approvable reimbursement requests within 30 business days if the invoice is uploaded to EGMS within 15 days of the end of the billing period.³⁷⁸ If the invoice is submitted late, the contract only obligated LAHSA to remit payment within 45 days of invoice receipt. Additionally, service provider contracts under the Roadmap Program are subject to terms that allow LAHSA the right to disregard any invoices submitted later than 60 days after the performance period.³⁷⁹

3.7.4.1. A&M OBSERVATIONS – LAHSA SERVICE PROVIDER PAYMENTS AND ADVANCE RECOUPMENT

Figure 3.24 below summarizes whether LAHSA made payments to service providers according to the contractual provisions. A&M also confirmed whether LAHSA fully recouped service provider advances (where applicable).

FIGURE 3.24

A&M’s Assessment of Contractual Compliance for Sampled Contracts for FY 2023-24 Related to LAHSA Payments to Service Providers and Service Provider Advance Recoupment

City Program	Number of Contracts	Median Business Days to Payment	LAHSA Payment to Service Provider - Days Paid			Advance Recoupment	
			Always Met	Sometimes Met	Never Met	Contracts with Advance	Contracts with Adv. Recouped
Roadmap	9	41	-	9	-	7	7
Roadmap - Project Homekey	2	23	-	2	-	1	1
Alliance	1	24	-	1	-	1	1
Inside Safe	3	37	1	2	-	N/A	N/A

SOURCES: Service Provider EGMS Invoices; LAHSA Accounting Data - General Ledgers (all City Funds)

³⁷⁶ LAHD, “Cash Requests_Invoice Review Presentation” Training Presentation, dated October 8, 2024, Slide 12.

³⁷⁷ Payment Package, Inside Safe Cash Request #6, dated June 2024, p. 1 of 7.

³⁷⁸ Sampled Service Provider Contract Review, Section 10.A, 10.B, and 10.C.

³⁷⁹ Ibid.

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LAHSA only occasionally met contractual requirements for payments to service providers based on the service provider's invoice submission date. Service providers under the Roadmap Program experienced the longest delay in payment, followed by those under Inside Safe. Payment lags are due, at least partially, to the complications previously discussed surrounding the Roadmap and Inside Safe cash request submission processes. A&M also verified that LAHSA recovered the full amount of service provider advances for FY 2023-24 by June 30, 2024.

Further, A&M evaluated whether LAHSA payments conform to the 'invoicing flow' model in place for LAHSA and service providers. LAHD's *Homeless Services Invoicing Overview and Flow* documentation states that service providers "must perform work first and then invoice LAHSA for reimbursement of program expenses they have incurred. LAHSA, in turn, invoices the City to request cash to pay these Service Provider invoices...LAHSA pays service providers once the City pays cash requests."³⁸⁰ Accordingly, the dates of LAHSA's payments to service providers should occur after LAHSA receives reimbursement from the City.

However, A&M documented many instances – across all City Programs – where the flow of funds did not follow this pattern. Specifically, for Roadmap contracts during FY 2023-24, LAHSA paid the majority of service provider invoices before the associated cash request was submitted to the City. This is true for service provider advances as well – the 17% advance paid to the service providers was made before LAHSA received its 25% advance for FY 2023-24 from the City. This finding highlights that LAHSA did not consistently direct funds from the City to the exact expenditures those funds were intended to support. LAHSA confirmed that while they attempt to direct funds received from the City to the specific contracts supported, LAHSA at times uses other sources of available cash to reimburse service providers with long-outstanding invoices.³⁸¹ This finding is indicative that the invoicing and payment flow was not functioning as intended.

³⁸⁰ LAHD Homeless Services Invoicing Overview and Flow [No Date Available].

³⁸¹ Interview with LAHSA GMC Department on September 18, 2024.

KEY TAKEAWAYS OF SECTION 3.7

- Multiple approval layers involved in the budget modification process increased administrative workloads and potentially delayed the processing of service provider invoices and corresponding payments. Some service provider budget modifications were executed after the fiscal-year end, obscuring alignment between budgeted funds and actual expenditures, and disrupting the payment processes. Any interruptions in payments could potentially impact the service provider operations and service delivery, which may have ultimately impacted the participants relying on these subprograms.
- Service providers consistently submitted invoices late per contractual requirements, complicating the ability for LAHSA or the City to accurately track year-to-date expenditures.
- LAHSA's service provider invoice review and payment approval process failed to verify whether the services invoiced were provided, or whether the amounts invoiced were adequate or reasonable to meet the requirements of their contracts. Essentially, LAHSA did not evaluate the linkage between the services being paid for and the services received, potentially impacting resource allocation and, consequently, the quality of services reaching the population served.
- The manual cash request process was time-consuming and at risk of human error, exposing the City and LAHSA to potential accounting inaccuracies and complicating precise reconciliation of contract expenditures.
- The cash requests did not clearly indicate which months of service provider expenses were included in the request for reimbursement, hindering the ability to precisely identify and track the service provider expenses reimbursed at a given point in time.
- Cash requests were confusing and cumbersome documents that did not provide the City with the transparency needed to ensure funds were being spent as intended; however, as the process was designed during the Lookback Period, the majority of service provider oversight was delegated to LAHSA.
- LAHSA did not meet contractual requirements for providing payments to service providers, potentially impacting the service providers' ability to deliver services.
- LAHSA did not consistently direct funds from City payments to the specific service provider contracts supported. Instead, LAHSA confirmed that payments to service providers were occasionally made using available cash from unrelated funder contracts, indicating a gap in internal controls and potentially exposing LAHSA to cash flow management issues.

SECTION 4

Performance Assessment

4.1 A&M APPROACH TO PERFORMANCE ASSESSMENT

A&M reviewed each City Program's prioritization and matching practices for homelessness assistance services, and the quality and effectiveness of homelessness assistance services in reducing unsheltered durations and fostering long-term housing stability. Multiple analyses were based on a variety of documentation reviewed by A&M, interviews with stakeholders, and onsite fieldwork³⁸² to determine whether participants experienced better outcomes than they otherwise might have. However, limitations in data availability and quality impacted A&M's ability to form definitive conclusions about the City Programs' impact on their respective goals. As a result, while the findings offer insights into the strengths and opportunities for improvement, further refinement of data collection and reporting processes would be necessary to comprehensively evaluate the City Programs' effectiveness in achieving their intended goals.

4.2 CITY PROGRAMS' PRIORITIZATION AND MATCHING

This section examines the prioritization and matching of PEH to the various beds and services established under the City Programs, specifically outreach, interim housing, HN, PSH, and TLS. According to LAHSA, the CES Policy Council served as the governing body tasked with ensuring consistency and quality.³⁸³ It guided strategic policy development, supported implementation through the alignment of practices and resources, and monitored the system's effectiveness and efficiency.³⁸⁴ The processes used to prioritize and match participants to the established beds and/or supportive services proved challenging due to the complex and opaque nature of the procedures within each of the City Programs and in the City at large. Multiple stakeholders, each relying on distinct eligibility criteria, contributed to a system that lacked consistent documentation and clear, standardized guidelines. As a result, the steps taken to determine who received priority and the methods by which PEH were ultimately matched to interventions and services were not readily discernible, hindering transparent decision-making and complicating efforts to understand service delivery.

4.2.1. OUTREACH

In coordination with Council Offices, FIT, and all City-funded HETs through LAHSA, the City prioritized outreach to unsheltered PEH residing in encampments.³⁸⁵ As mentioned previously, these outreach teams were dedicated across multiple encampment-related endeavors. Therefore, the prioritization and outreach services appeared to create duplicative services, especially when multiple

³⁸² Although the Lookback Period served as the primary timeframe for this assessment, onsite fieldwork extended past the Lookback Period to gain a deeper understanding of current service quality. The Court also requested onsite fieldwork to facilitate firsthand verification of service delivery and site operations. Onsite fieldwork was conducted in September 2024 through January 2025.

³⁸³ LAHSA, The CES Policy Council, webpage published December 8, 2017 (updated August 22, 2024).

³⁸⁴ Ibid.

³⁸⁵ Dkt. 677, Alliance Settlement Agreement, filed March 7, 2024, p. 73 of 209.

initiatives such as a CARE+ operation and the respective CARE+ outreach team overlapped with other existing outreach teams (e.g., Roadmap HET) within the City’s Council Districts.

Although each subprogram specified its own focus and objectives, they generally relied on similar referral pathways, raising the possibility that the same unsheltered PEH may be counted or served multiple times by different outreach teams. Furthermore, differing prioritization criteria for various encampments resulted in inconsistencies or unclear rationales for allocating outreach resources. This fragmentation potentially generated confusion among stakeholders and unsheltered PEH, who may have been uncertain about which subprogram they were engaging with or lack clarity on the overall process. Such confusion risks eroding trust in outreach efforts, highlighting the need for more coordinated planning, data sharing, and accountability channels to optimize the effectiveness of their outreach and ensure equitable service delivery.

4.2.2. SHELTER AND INTERIM HOUSING

Roadmap Program and Alliance Program

No formal prioritization policy was created or implemented within the Lookback Period for the shelter and interim housing beds created by the City under the Roadmap Program and Alliance Program.³⁸⁶ Per LAHSA, the beds created under these City Programs were “dedicated to encampment resolution projects.”³⁸⁷

Under the terms of the Program-Named LAHSA Contracts, participants were referred to the interim housing beds through LAHSA’s centralized matching process for interim housing, which was intended to apply eligibility and prioritization criteria established by the City and/or the relevant Council District office.³⁸⁸ These criteria were anticipated to include, but not be limited to, the participant’s geographic location, the length of time they had experienced homelessness in a specific area, alignment with designated outreach or encampment response efforts, and/or other participant-level approvals as determined by the Council District governing the bed’s location.³⁸⁹

Throughout the Lookback Period, the eligibility criteria for prioritizing and matching PEH to interim housing underwent multiple changes.³⁹⁰ Within the encampment-focused operations, individuals were initially prioritized by acuity, but this approach shifted over time to emphasize the length of time experiencing homelessness and, ultimately, to prioritize those deemed most vulnerable (e.g., age, underlying conditions, safety, etc.).³⁹¹

According to the City Controller’s most recent homeless audit, interim housing beds within the City operate within designated geographic “catchments” that generally correspond to Council District boundaries.³⁹² Under this framework, unsheltered individuals may have been matched only to the beds situated within the catchment areas where they reside.³⁹³ Moreover, Council Districts retained the ability to reserve beds at

³⁸⁶ LAHSA explained, “We have not had a formal prioritization policy from 2020-2024. We currently have a draft policy that is in the review process and likely to be launched by the end of the calendar year.” (Email from LAHSA Risk Management Department, dated November 6, 2024).

³⁸⁷ Email from LAHSA Risk Management Department, dated November 6, 2024.

³⁸⁸ City/LAHSA Alliance Contract C-141840 (Amendment 3), p. 11 of 15; City/LAHSA Roadmap Contract C-137223 (Amendment 17), p. 43 of 77.

³⁸⁹ Ibid.

³⁹⁰ Email from LAHSA Risk Management Department, dated November 6, 2024.

³⁹¹ Ibid.

³⁹² City of Los Angeles Controller, Homeless Audit: Pathways to Permanent Housing, dated December 10, 2024, p. 11 of 86.

³⁹³ Ibid.

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these interim housing sites for an unspecified duration, which may, at times, limit the number of beds for immediate placement of unsheltered individuals who were prepared to transition into the respective interim housing site.³⁹⁴ The City did not establish formal referral and placement protocols for this process in the Lookback Period, a gap which may have contributed to underutilized bed capacity and reduced the efficiency and equity of shelter and housing placements.³⁹⁵

Inside Safe Program

In contrast to the Roadmap Program and Alliance Program, the Inside Safe Program generally prioritized interim housing placements in select City-contracted motels/hotels for PEH from specific target encampments identified by City Council Districts and the Mayor's Office.

The Mayor's Office independently matched available beds to these unsheltered individuals, including those who were found to have returned to encampments previously deemed resolved.³⁹⁶ Unsheltered individuals, outside the targeted encampments, were precluded from accessing these specific City-contracted beds and services since these beds were specifically reserved for Inside Safe's target encampments. LAHSA clarified that when beds become available between encampment resolution projects, Inside Safe participants were prioritized based on: participant vulnerability (e.g., safety, age, underlying conditions), length of time on the "interim housing queue" and catchment area, or the location of homelessness, as the participant must align with the catchment requirements of the interim housing site.³⁹⁷

4.2.3. HOUSING NAVIGATION

Beginning October 1, 2022, LAHSA implemented a slot-based management model for HN.³⁹⁸ Under this approach, each "participant slot" represented a participant that the service provider was required to serve at any given time during the contract year.³⁹⁹ This model was intended to help providers and the broader system maintain full capacity without exceeding available resources.⁴⁰⁰ Additionally, the established caseload ratio was one Housing Navigator per 20 participants.⁴⁰¹

According to a memorandum drafted by LAHSA in response to Council File No. 23-0302, HN slots were allocated annually to service providers based on the availability of the County and the City funding for the fiscal year, as well as the most recent PIT count.⁴⁰² Many of these slots, particularly for the adult population, were paired with interim housing sites to facilitate "flow through" into permanent housing.⁴⁰³ According to a recent audit by the City Controller, interim housing participants were typically prioritized based on their document readiness and length of time they had been enrolled at an interim housing site.⁴⁰⁴

³⁹⁴ Ibid.

³⁹⁵ Ibid.

³⁹⁶ Email from LAHSA Risk Management Department, dated November 6, 2024.

³⁹⁷ Ibid.

³⁹⁸ LAHSA, Housing Navigation Programs, webpage published September 23, 2022 (updated February 3, 2025).

³⁹⁹ Ibid.

⁴⁰⁰ Ibid.

⁴⁰¹ Ibid.

⁴⁰² LAHSA Memo, Overview of CF-23-0302, regarding Emergency Housing Vouchers and Housing Navigation with the City of Los Angeles, dated May 30, 2023, p. 2 of 4.

⁴⁰³ Ibid.

⁴⁰⁴ City of Los Angeles Controller, Homeless Audit: Pathways to Permanent Housing, dated December 10, 2024, p. 31 of 86.

LAHSA estimated 30% of interim housing beds across the system had a corresponding HN slot as of May 2023.⁴⁰⁵ However, under the Roadmap Program, in January 2025, LAHSA identified 310 HN slots for 4,932 interim housing beds as of June 30, 2024, estimating 6% of the interim housing beds had an allocated HN slot.⁴⁰⁶ Under the Alliance Program, LAHSA identified 33 HN slots out of 143 interim housing beds within the Lookback Period, approximately 23%.⁴⁰⁷ LAHSA was unable to report on the number of HN slots allocated for the beds created under the Inside Safe Program. The data provided did not specify whether these services and their associated contracts were active throughout the Lookback Period, limiting insights into service availability and accessibility.

A&M reviewed the only HN contract under the Roadmap Program-Named LAHSA Contracts and the number of HN slots was not easily identifiable. If these slots were not explicitly defined within the contract and its amendments, the service provider may have faced difficulties aligning resources with demand, potentially resulting in service gaps and inconsistencies in participant enrollment. Similarly, if staffing levels were insufficient, the service provider may have been unable to adequately serve all slots, which may have resulted in reduced quality, longer waiting times, and disengagement from participants. As a result, during the Lookback Period, it was not possible to determine the number of individuals in interim housing established under the City Programs who were matched and had the opportunity to access HN services or whether they received such support.

4.2.4. PERMANENT SUPPORTIVE HOUSING

PSH within the CES was generally understood to operate under a standardized prioritization and matching process intended to ensure prompt and equitable housing for the most vulnerable PEH.⁴⁰⁸ According to LAHSA's *CES PSH Prioritization and Matching Guidance* document, originally approved on June 28, 2023, this process changed throughout the Lookback Period.⁴⁰⁹

Historically, the CES relied on established triage tools, such as the CES Survey for Adults (also known as the VI-SPDAT), VI-FSPADT for Families, and the Next Step Tool for Youth, to evaluate the needs of PEH upon their initial engagement and prioritize them for PSH placement.⁴¹⁰ While these triage tools were previously considered industry standards, concerns emerged in 2019 regarding their potential bias, especially against Black individuals.⁴¹¹ The Ad Hoc Committee on Black People Experiencing Homelessness raised concerns, which were corroborated by research conducted through the CES Triage Tool Research & Refinement ("CESTTRR") project.⁴¹² In 2023, the CESTTRR Project released a report with recommendations to reduce bias and improve equitable access.⁴¹³

In response, LAHSA refined its CES assessment process, reserving the use of triage tools for circumstances in which their input was deemed necessary, rather than employing them as the primary factor in PSH prioritization.⁴¹⁴ In 2024, LAHSA began implementing the Revised Triage Tool, referred to as the Los

⁴⁰⁵ LAHSA Memo, Overview of CF-23-0302, regarding Emergency Housing Vouchers and Housing Navigation with the City of Los Angeles, dated May 30, 2023, p. 2 of 4.

⁴⁰⁶ LAHSA Response to HN Questions, dated January 6, 2024[sic].

⁴⁰⁷ Ibid.

⁴⁰⁸ LAHSA, CES Permanent Supportive Housing Prioritization and Matching Guidance, approved June 28, 2023 (revised December 4, 2024), p. 1 of 11.

⁴⁰⁹ Ibid.

⁴¹⁰ Ibid.

⁴¹¹ Ibid.

⁴¹² Ibid.

⁴¹³ Ibid.

⁴¹⁴ LAHSA, CES Permanent Supportive Housing Prioritization and Matching Guidance, approved June 28, 2023 (revised September 25, 2024), p. 1 of 9.

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Angeles Housing Assessment Tool, which replaced the CES Survey for Adults, or VI-SPDAT.⁴¹⁵ Additionally, persistent challenges in identifying and contacting accurate Points of Contacts (“POCs”) in the HMIS led to a shift away from relying on POCs for outreach.⁴¹⁶ Instead, enrollment directed assigned staff of an eligible CES subprogram toward PEH in need of assistance, in an effort to enable more direct and reliable engagement.⁴¹⁷

Furthermore, document readiness, which was previously considered a preference, became a requirement for PSH housing matches.⁴¹⁸ This requirement could be waived if: (a) the resource did not necessitate documentation, and/or (b) no other individuals or households with documentation readiness could be located for the available resource in the County.⁴¹⁹ This adjustment aimed to enhance the efficiency and equality of allocating PSH units, ensuring that those with the greatest need receive the support necessary to secure stable housing.⁴²⁰

Although LAHSA did not identify any supplemental change in the prioritization and matching process, outside of the information outlined in the *CES PSH Prioritization and Matching Guidance* document, during the Lookback Period providers reported that the process had a supplemental change. Previously, the SPA Lead (designated service provider for the respective SPA) served as the primary agency responsible for matching participants within its designated SPA to permanent supportive housing. However, in 2024, LAHSA centralized this matching process under its administration.

The matching approach for project-based PSH units, which relate to the permanent supportive housing beds developed under the Roadmap Program and Alliance Program, was also revised and documented in the *CES PSH Prioritization and Matching Guidance*.⁴²¹ Although one-to-one matching was used within the Lookback Period, LAHSA later transitioned eligible individuals at the top of the Enhanced Community queue⁴²² to a Batch Matching process in 2024.⁴²³ Beginning a specified number of days prior to the anticipated Certificate of Occupancy (based on the expected construction schedule for the completion of new PSH units), a group of participants equal to twice the number of available units were identified as potential applicants.⁴²⁴ For example, for a 50-unit building, 100 participants were selected.⁴²⁵ This strategy aimed to minimize delays and resource inefficiencies that occurred when initially referred individuals either declined housing or were deemed ineligible.⁴²⁶

LAHSA and service provider teams of the respective site managed project-based PSH matching, utilizing the Resource Management System (“RMS”), an inventory of available project-based units maintained by LAHSA, to match PEH that meet each unit’s eligibility criteria.⁴²⁷ These criteria included income thresholds, homeless status, special population designations, or disability verification.⁴²⁸ PEH who met

⁴¹⁵ LAHSA, CES Permanent Supportive Housing Prioritization and Matching Guidance, approved June 28, 2023 (revised December 4, 2024), p. 1 of 11.

⁴¹⁶ *Ibid.*, p. 2.

⁴¹⁷ *Ibid.*

⁴¹⁸ *Ibid.*, pp. 4-5.

⁴¹⁹ *Ibid.*

⁴²⁰ *Ibid.*

⁴²¹ *Ibid.*, p. 5.

⁴²² Email from LAHSA Risk Management Department, dated November 6, 2024.

⁴²³ LAHSA, CES Permanent Supportive Housing Prioritization and Matching Guidance, approved June 28, 2023 (revised December 4, 2024), pp. 4-5 of 11.

⁴²⁴ *Ibid.*

⁴²⁵ *Ibid.*

⁴²⁶ *Ibid.*

⁴²⁷ LAHSA Memo, Report on Improvements to the Coordinated Entry System and PSH Tenant Selection, dated March 12, 2024, p. 5 of 9.

⁴²⁸ *Ibid.*

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these standards were informed by their POC that they may qualify for a unit and are encouraged to promptly complete the Universal Housing Application.⁴²⁹

Applications were reviewed by PSH property management on a first-come, first-served basis, ensuring adherence to established eligibility requirements.⁴³⁰ Applicants approved beyond the number of units available in the building were placed on a waitlist, retaining their eligibility should units become available during the lease-up period or through other comparable housing opportunities.⁴³¹

Once a PEH was confirmed as eligible for a given unit, the process involved securing approvals from the PSH service provider, PSH property management, and the public housing authority (e.g., HACLA).⁴³² Following these approvals, the household proceeded to sign a lease and occupy the PSH unit.⁴³³ This structured approach was designed to promote efficiency, consistency, and compliance with all applicable guidelines and regulations.

4.2.5. TIME-LIMITED SUBSIDY

Throughout the Lookback Period, the prioritization and matching processes for TLS slots underwent changes. Between 2020 and 2022, according to LAHSA, any “homeless program” could directly refer individuals to Rapid Re-Housing, another name of the TLS subprogram.⁴³⁴ These referrals could be initiated as soon as a person expressed interest, leading to large enrollments of unhoused individuals who had not yet identified a housing option.⁴³⁵ Beginning in 2022, the referral process shifted so that referrals originated from interim housing interventions through Housing Navigation. Following this referral, the housing search process may have taken approximately 165 days for adult participants.⁴³⁶ As explained by LAHSA, “Once a participant begins applying to units they will make a referral to TLS. The TLS team will then provide stabilization services.”⁴³⁷

A&M reviewed the TLS contracts under the Roadmap Program-Named LAHSA Contracts and the number of TLS slots was not easily identifiable. If these slots were not explicitly defined within the contract and its amendments, the service provider may have faced difficulties aligning resources with demand, potentially resulting in service gaps and inconsistencies in participant enrollment.

⁴²⁹ LAHSA Memo, Report on Improvements to the Coordinated Entry System and PSH Tenant Selection, dated March 12, 2024, pp. 5-6 of 9.

⁴³⁰ LAHSA, CES Permanent Supportive Housing Prioritization and Matching Guidance, approved June 28, 2023 (revised December 4, 2024), p. 5 of 11.

⁴³¹ Ibid.

⁴³² LAHSA Memo, Report on Improvements to the Coordinated Entry System and PSH Tenant Selection, dated March 12, 2024, p. 5 of 9.

⁴³³ Ibid.

⁴³⁴ Email from LAHSA, Manager, Risk Management dated November 20, 2024.

⁴³⁵ Ibid.

⁴³⁶ Ibid.

⁴³⁷ Ibid.

KEY TAKEAWAYS OF SECTION 4.2

- The design of the various outreach subprograms funded by the City may have contributed to overlapping services, creating a risk of inefficiencies or duplication of efforts. Individuals experiencing homelessness could be served by more than one outreach subprogram, which may have complicated data collection, led to possible duplication of efforts, created confusion among the unsheltered community, and diminished transparency regarding the allocation of resources. Without effective coordination of outreach teams, their respective endeavors may have potentially reduced the overall impact of their services.
- In the absence of a standardized prioritization policy from LAHSA and formal protocols from the City uniformly governing the referral and placement of unsheltered individuals, the criteria and eligibility for placement may have been subject to varying interpretations influenced by evolving circumstances and trends, potentially resulting in confusion among stakeholders, including service providers. This uncertainty increased the risk of inequitable, inefficient allocation of resources, and may have delayed the timely provision of shelter and housing for those in need.
- The Inside Safe Program's approach diverged from other referral mechanisms generally employed by the CES, which underscores the fragmented nature of strategies. As a result, the unhoused community may have faced inequitable access to services, with certain populations benefiting from prioritized placement while others await assistance through less clearly defined processes. This fractured structure highlights the extent to which differing methodologies and priorities can lead to inconsistencies in the allocation and utilization of available housing resources.
- The number of beds or service slots specified in service provider contracts was not clearly or consistently defined, undermining transparency about the actual capacity and scope of services supported by allocated funds. This lack of clarity made it difficult to confirm that the contracted services aligned with intended goals and obligations.

4.3 QUALITY OF CITY-FUNDED SERVICES

To develop a more robust view of the quality of homelessness assistance services offered prior or during enrollment in the shelter and housing interventions established under the City Programs, A&M conducted onsite fieldwork at selected locations and interviewed service providers. These activities provided insight into daily operations and service delivery methods. Observations drawn from these visits and discussions contributed to the broader performance analysis, identifying both notable strengths and potential areas for improvement in service provision to enhance the overall effectiveness and impact of City-funded subprograms.

4.3.1. OUTREACH

This subsection highlights A&M's observations on the key strengths and potential areas for improvement identified within outreach endeavors.

4.3.1.1. Strengths

Proactive Approach

To obtain insight into outreach, A&M shadowed LAHSA's Roadmap HET members. A&M noted that the Roadmap HET members employed various strategies to engage with unsheltered PEH, beginning with an assessment of each individual's needs upon initial contact. In addition to providing direct services, such as offering water or other basic supplies, they arranged referrals to housing or directed higher-acuity PEH to specialized outreach teams. They also attempted to maintain ongoing engagement to ensure continuity of support where necessary.

4.3.1.2. Opportunities for Improvement

Enhanced Coordination and Efficiency

Onsite fieldwork illustrated the complexities involved in outreach, given the transient nature of unsheltered populations, varying levels of acuity, and the distrust of outreach workers that some unsheltered PEH may have. The Roadmap HET members explained the unpredictable environment they encounter and the survival mindset many unsheltered PEH adopt. The difficulty of establishing engagement was compounded by the possibility that individuals may not be in their tents or familiar locations when they arrive, as well as reluctance some exhibit in leaving a known encampment or community.

Despite these proactive measures, it was difficult to determine whether contacts led to successful referrals or housing placements, particularly when overlaps occurred with other City-led efforts that impacted the same encampments. Consequently, while these observations provided insights into the day-to-day realities of service delivery, the lack of integrated reporting systems and comprehensive performance tracking hindered a complete assessment of service quality and effectiveness.

4.3.2. SHELTER AND INTERIM HOUSING

This subsection highlights A&M's observations on the key strengths and potential areas for improvement identified within shelter and interim housing interventions established under the City Programs.

4.3.2.1. Strengths

Improved Engagement

Interim housing facilitated a stable living environment for PEH and the opportunity for service providers to have consistent engagement with the participants. With a dedicated onsite presence, service providers could regularly interact with participants, offer coordinated case management, and facilitate connections to additional resources, such as referrals for mainstream benefits, mental health support, and other services. This structured setting allowed staff to better track participants' progress and tailor assistance with the goal of transitioning participants toward more permanent housing and overall stability.

Variability and Adaptability of Interim Housing Arrangements

Many interim housing subprograms offered varying housing arrangements across geographic locations. For example, Inside Safe offered private motel/hotel rooms, A Bridge Home employed a congregate model, and Safe Parking provided a secured lot at night for individuals experiencing vehicular homelessness. This variety allowed the interventions to accommodate participants' preferences or circumstances related to their living environment.

Shortened Pathways to Permanent Housing

When designed and managed effectively, interim housing served as a transitional step between unsheltered homelessness and permanent housing. Its structured environment, paired with case management and other supportive services, expedited the process of identifying, applying for, and securing permanent housing options.

4.3.2.2. Opportunities for Improvement

Contract Requirements, Compliance, and Service Consistency

The performance assessment of service delivery revealed significant challenges in contract compliance and consistency due to service providers' varying interpretations of contractual requirements and their independently developed methods for service delivery. While some sites adhered to basic contractual obligations, A&M observed that other service providers fell short of meeting key requirements. For example, one service provider supplied only two meals per day instead of the three meals specified in the contract, while another site lacked amnesty lockers, despite this requirement being a facility standard. Additionally, through onsite fieldwork, A&M identified noncompliant ratio of case managers to support clients, which resulted in variability in the quality and consistency of case management services, as well as the associated caseloads. This variability impacted the quality of services provided. Some service providers employed minimal staff, potentially prioritizing cost savings, while others increased staffing but the funding model did not appear to adjust in proportion to staffing levels. Such disparities, combined with differing interpretations on what constitutes compliance (e.g., "hot meal," functional shower facilities, or "Residential Supervision"), led to inequities in service quality.

A&M's onsite evaluation found that some contractual provisions, though technically compliant in terms of execution by the service provider, did not adequately address the practical and nuanced needs of participants who were experiencing homelessness. A primary example of not addressing the practical needs of PEH involves storage space; while the contract specified a requirement for one cubic foot of storage space per participant, with additional storage subject to facility capacity, this provision was frequently inadequate for individuals to securely store their belongings. This limitation may have deterred participants from leaving their possessions to obtain or maintain employment, attend medical appointments, or manage other essential errands. Due to limited secure storage, participants may have been reluctant to leave their possessions unattended. This reluctance may have discouraged them from leaving the site and thereby limiting their engagement in other activities or services. For participants with hoarding tendencies, a common challenge among participants, the limited storage allowance may have also exacerbated feelings of insecurity or loss, further complicating their willingness to utilize services. Service providers, in turn, may have had trepidation about allowing supplemental storage due to concerns over safety and hygiene risks, the potential for hoarding to escalate, or logistical challenges in managing additional space and costs. Such gaps between compliance and practical utility undermine the effectiveness of services and hinder participants' ability to achieve stability.

Mental Health and Other Healthcare Services

The inconsistencies in service quality were further complicated by the complexities inherent in serving a population with levels of high acuity, including individuals experiencing severe mental illness, substance use disorder ("SUD"), and/or chronic health conditions. A&M's onsite evaluation identified a critical gap in the provision of mental health services across the sites, despite a widespread recognition of the significant mental health needs among participants.

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Based on the Health and Disability data captured during the 2024 PIT Count for the City of Los Angeles, approximately 31% of unsheltered PEH reported a substance use disorder and approximately 24% reported a serious mental illness.⁴³⁸ These figures may be underreported due to data collection methodology.

Service provider personnel consistently reported that they lacked the necessary training, expertise, and resources to adequately address these needs. Additionally, service providers cited insufficient funding to hire qualified mental health professionals or to establish dedicated services. Instead, most service providers relied heavily on referrals to the County for services or nonprofit organizations to support participants with their mental health challenges. While these outside providers may be helpful in meeting participants' needs, this approach often left service providers and participants navigating complex and under-resourced systems, delaying access to care.

These observed challenges are reflective of broader systemic issues, including the legacy of deinstitutionalization and lack of infrastructure to adequately support individuals with severe mental health conditions. The absence of accessible and integrated mental health services not only limits the effectiveness of homeless service programs but also perpetuates barriers to stability and recovery for the population served. Addressing this gap will require not only enhanced funding and training but also a collaborative effort to integrate mental health services into the CoC system, ensuring that participants receive the comprehensive care needed to achieve long-term stability.

Property Damage

Property damage posed a significant obstacle to service providers, as frequent repairs and cleanup efforts diverted limited funds and reduced the number of available units. Property damage incidents may have ranged from accidental or intentional destruction of infrastructure and furniture to natural wear-and-tear associated with high usage. Participants experiencing severe mental illness, substance use disorders, or trauma, encounter crisis situations involving aggressive behavior or self-harm. Such incidents not only strained staff morale but also heightened fear or insecurity among other participants who perceived a potential risk of violence. In turn, service providers were required to maintain oversight to balance facility preservation with participant well-being without undermining critical support services.

Transportation

The onsite fieldwork of sampled sites identified challenges related to transportation, a critical component in ensuring access to essential services such as medical care, housing appointments, and employment. While contracts encouraged service providers to assist clients in coordinating transportation and, when necessary, accompany them to appointments, this support was inconsistently provided. In many cases, the burden of coordinating transportation fell on the homeless participants themselves, posing substantial barriers.

Participants often lacked access to reliable transportation, making it difficult to reach distant service locations or attend appointments on time. Public transit options, where available, may not align with the timing or routes needed, particularly for those living in areas with limited infrastructure. Additionally, PEH may face challenges such as the inability to afford transit fares, navigate complex transit systems, or carry personal belongings while traveling. For clients with mobility issues, mental health conditions, or other disabilities, these barriers are even more pronounced. The lack of proactive support in addressing

⁴³⁸ City of LA Point-in-Time Counts; 9,010 SUD / 29,272 Unsheltered All Persons = 30.8%; 7,080 SMI / 29,272 Unsheltered All Persons = 24.2%.

transportation needs not only hampers clients' ability to access essential services but also undermines broader goals of stability and self-sufficiency.

Bed Occupancy and Enrollment

A&M's onsite evaluation revealed a misalignment in the established protocol for the timely reporting of vacancies and availability across the sites. While contracts required service providers to directly input bed services and exit data into HMIS, many service providers instead emailed updates, creating inconsistencies and potential delays in accurate reporting. These reporting challenges may have stemmed from insufficient communication and lack of clarity surrounding reporting requirements and deadlines, as outlined in the contract or accompanying instructions.

According to various service providers, if participants did not consistently occupy their assigned bed and failed to notify the service provider about any absence lasting three or more consecutive nights, staff would attempt to contact the participant before declaring the bed abandoned and exiting the participant from the subprogram. Consequently, occupancy data may not always align with enrollment data when participants remained enrolled but did not physically occupy the bed. Additionally, without a standardized method for LAHSA to verify occupancy, maintaining an accurate and up-to-date understanding of service capacity was limited. Furthermore, because funding did not fluctuate based on occupancy levels, service providers may have lacked incentive to prioritize timely reporting. This dynamic may have contributed to discrepancies in data, potentially inequitable fund distribution, and moreover, decreased motivation to maximize occupancy for the benefit of unsheltered PEH.

In an effort to verify the number of interim housing bed interventions established for potential enrollment, A&M compared the sampled sites under the City Programs that were identified as open and occupiable as of December 31, 2023, with LAHSA's Housing Inventory Count dated January 24, 2024. The results of the analysis showed multiple discrepancies, potentially stemming from differences in data collection methods, timing, or other reporting factors between the two entities. Further, the Office of the CAO acknowledged that the City had also identified discrepancies in LAHSA's Housing Inventory Count and explained, "...we continue to work with LAHSA on ongoing data challenges."⁴³⁹ This lack of clarity regarding the total number of available and open beds hinders service delivery. Without a clear understanding on the number of beds or units that are available for enrollment, stakeholders face difficulties in allocating resources and ensuring participants receive timely placements.

In an audit published by the City Controller in December 2023, it was reported that LAHSA did not have a process to monitor and evaluate bed attendance data.⁴⁴⁰ The City Controller's audit found that, although shelter staff were required to enter bed attendance into HMIS, LAHSA remained responsible for monitoring the effectiveness of the contracted service organizations that operate the "shelter system."⁴⁴¹ However, LAHSA did not maintain an ongoing process to review or evaluate bed attendance data to enhance its quality.⁴⁴²

The Inside Safe Program operated under a unique structure in which occupancy was reviewed by the Mayor's Office based on the occupancy and booking agreements. The Mayor's Office relied on the respective hotel/motel owner to report vacancies as well as LAHSA's automated Daily Motel Occupancy

⁴³⁹ Email from the Office of the CAO, dated January 9, 2025

⁴⁴⁰ City of Los Angeles Controller, Interim Housing & Shelter Bed Data, dated December 5, 2023, p. 43 of 50.

⁴⁴¹ Ibid.

⁴⁴² Ibid.

Report of the Inside Safe hotels/motels contracted with the City.⁴⁴³ This variation further highlights the lack of uniformity in tracking occupancy across City Programs. The lack of effective oversight exacerbated these issues, as there was no consistent mechanism to ensure compliance or verify the accuracy of reported data.

4.3.3. HOUSING NAVIGATION

As discussed previously, due to the ambiguity in the service provider contract language outlining the scope and nature of services provided under Housing Navigation, as well as limitations in tracing any funds expended by LAHSA under the City Programs, A&M was unable to assess the quality and effectiveness of HN services. Further, without specific metrics, deliverables, or performance indicators, it remains unclear whether Housing Navigation services achieved intended outcomes from the funding provided by the City. This lack of clarity highlights the importance of clear contractual obligations and documentation of services.

4.3.4. TIME-LIMITED SUBSIDY

Due to limitations in tracing funds, as well as in identifying the specific contracts and residential addresses associated with the participants' rental or leasing subsidies and services, it was not feasible to confirm which participants were served through the TLS housing interventions established under the Roadmap Program. This gap in information precludes verifying whether participants received the intended case management and rental subsidy services. Consequently, there is a heightened risk in accurately assessing the quality and effectiveness of these services under the City Program, as the inability to link resource allocation to participant outcomes hinders a comprehensive evaluation of performance.

4.3.4.1. *Strengths*

Mobility and Scattered-Site Housing

Time-limited rental subsidies generally enabled participants to choose their housing arrangements, facilitating integration into neighborhoods that align with their needs (e.g., proximity to employment opportunities or family support). Additionally, the flexibility offered with these subsidies in dispersing participants across multiple properties, alternatively referred to as "scattered-site" housing, may have reduced the concentration of poverty commonly observed in large, project-based developments, potentially improving community engagement and decreasing stigma. This autonomy in housing selection, particularly when supported by comprehensive case management and other services, may have further enhanced satisfaction, stability, and long-term self-reliance for participants.

Rapid Deployment

Rental subsidies were implemented more rapidly than developing a new housing project, allowing participants to leave interim housing interventions or unsheltered situations sooner. This accelerated transition into stable housing potentially helped mitigate the negative impacts associated with prolonged housing instability.

4.3.4.2. *Opportunities for Improvement*

Resource Allocation of Services

Similar to the concerns identified under service consistency for interim housing sites, it remains unclear whether the case management services of TLS service contracts, intended to assist participants in transitioning from a rental subsidy to another form of stable, permanent housing, were delivered at a quality

⁴⁴³ Interview with Mayor's Office on November 6, 2024; LAHSA Memo, Explanation of Daily Motel Occupancy Report Inclusions, dated June 28, 2024, p. 1 of 1.

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level sufficient to meet that objective. Because direct observation of these services was not feasible, the quality of services could not be fully assessed. Service providers determined the number of case management staff based on various operational factors; however, funding does not appear to fluctuate with staffing levels, potentially reducing the incentive, or limiting their ability to hire and fund enough personnel to manage caseloads effectively. Without adequately funded and qualified staff, the ability to deliver consistent, high-quality services and to achieve the intended outcomes may be significantly constrained. Furthermore, due to potential variability and unpredictability of rent costs, a significant portion of the funding may be absorbed by the rental subsidies. As a result, there was a risk that the remaining funds were insufficient to fully support case management services, potentially compromising the quality and consistency of participant support.

KEY TAKEAWAYS OF SECTION 4.3

- Outreach teams deployed various strategies to engage unsheltered individuals. However, limited data tracking and coordination between different outreach subprograms led to potential overlaps and inconsistencies. Strengthening data collection, standardizing referral processes, and fostering collaboration across the City, the County, and LAHSA may improve service delivery and ensure that outreach efforts align effectively with broader homelessness assistance strategies.
- Inconsistent services made it difficult to measure and compare performance across various City-funded beds and respective subprograms, as different standards and processes were applied at various sites.
- Contracts lacked clear, enforceable provisions and did not adequately account for the practical needs of both service providers and the diverse participant populations. Additionally, insufficient oversight of contractual terms hindered equitable and effective service delivery across sites.
- Although TLS offered flexibility through scattered-site housing and rapid deployment of permanent housing resources, fluctuating rent costs potentially consumed a material portion of allocated funding. Consequently, there was a risk that insufficient resources remained to fully support case management services, which may have compromised the overall quality of services.

4.4 QUALITY OF COUNTY-FUNDED SERVICES

Although the focus of this performance assessment was on City-funded services, the County shared information regarding its service contracts for the High Service Need Interim Housing beds and PSH. Therefore, supplemental onsite fieldwork was conducted to gain additional perspectives to obtain a more comprehensive understanding of the County-funded contracted services available to PEH in the City. This approach offered valuable insight into the CoC system. The evaluation was based on site visits and interviews with executives and County representatives. This section highlights the strengths and constraints identified by stakeholders and through A&M’s observations from onsite visits.

4.4.1. INTERIM HOUSING

This subsection highlights A&M's observations on the key strengths and potential areas for improvement identified within the High Service Need Interim Housing beds funded by the County. Certain strengths and opportunities for improvement associated with City-funded services may overlap with those funded by the County. For clarity, only distinct strengths and improvement opportunities were highlighted to remain focused on the unique aspects of services funded by the City or the County.

4.4.1.1. *Strengths*

Onsite Medical Personnel

Executive stakeholders identified the presence of onsite medical staff, such as clinical nurses, as a valuable resource for supporting participants in the High Service Need Interim Housing beds. A few executives of the service providers noted that having a dedicated healthcare professional enhanced responsiveness to potential medical concerns and necessary referrals to specialized care. This arrangement promoted a more holistic approach to service delivery, benefiting both staff and participants through prompt and knowledgeable medical support.

Qualified Staff

During discussions, executives noted that DHS conducted a preliminary review of proposed staff resumes prior to hiring decisions for service providers. By screening candidates against the qualifications outlined in the contract's Statement of Work, DHS used a quality-control measure to ensure that service provider personnel met the necessary standards. This practice aimed to ensure that only appropriately qualified personnel delivered services. This approach may have contributed to higher quality and more effective service delivery.

Direct Contracts

Upon review of the High Service Need Interim Housing contracts provided by DHS, the contractual language appeared to provide clear expectations on the required services, enabling service providers to better understand the required services and obligations. This clarity potentially reduced ambiguity and fostered accountability as service providers aligned their practices with stipulated expectations.

4.4.1.2. *Opportunities for Improvement*

Participant Acuity Levels Across Differing Bed Types

The level of participants' acuity appeared consistent to service providers across City-funded and County-funded interim housing sites, even though these High Service Need Interim Housing beds funded by the County were designed to provide a higher level of support services for PEH with complex medical and behavioral health conditions. This challenge may indicate that a significant portion of PEH generally presents a high level of need. Consequently, the intended purpose of the High Service Need Interim Housing beds, as a recuperative or stabilization step prior to transitioning participants to another form of interim housing, may not have been clearly realized. In practice, service providers explained participants remained in these beds until exiting to permanent housing or another destination, similar to those in City-funded interim housing beds. Further, this overlap in acuity levels and variability in services complicate the CoC system. It reduces the overall effectiveness, as those placed in a less supportive setting may not receive sufficient services, potentially prolonging their homelessness or leading to repeated enrollments. This variability in services highlights the necessity for equitable resource allocation to ensure that participants receive consistent support aligned with their level of need.

Multiple Referral and Matching Processes

The existence of parallel referral and matching processes led by separate entities (DHS, DMH, LAHSA, the City, etc.) within the CoC system created challenges in ensuring that PEH were consistently matched to the most appropriate interim housing option. Varying eligibility criteria and prioritization methods increased the risk of inefficiencies, duplication of efforts, inequitable resource distribution, and overall complexity in resource allocation.

4.4.2. PERMANENT SUPPORTIVE HOUSING

This subsection outlines strengths and potential opportunities for improvement pertaining to the Intensive Case Management Services funded by the County for PSH units established under the City Programs.

4.4.2.1. Strengths

Low Turnover

PSH exhibited a lower rate of participant exits compared to other types of housing interventions. This continuity often translated into improved engagement, more consistent follow-through with services, and enhanced trust between participants and staff. Moreover, with fewer client transitions, administrative responsibilities associated with intake and discharge were potentially reduced, enabling service providers to allocate resources effectively. In comparison to high turnover, a stable population may have yielded clearer, more reliable data for measuring outcomes over time.

Direct Contracts

The County, specifically DHS, directly contracted with service providers for the County-funded sampled sites, rather than through LAHSA. A key advantage of this contractual arrangement was streamlined oversight and communication that resulted from working with a single contracting entity. This approach enabled the County to negotiate contract terms more directly, monitor provider performance in real time, and address any compliance or service delivery issues with fewer bureaucratic layers. For example, DHS provided weekly and monthly reports to the service providers based on the data entered into their information system, CHAMP. Direct contracts potentially helped maintain clearer lines of accountability and transparently define roles, funding, and outcomes. Consequently, resource allocation, coordination of services, and responsiveness to client needs were potentially more adaptable.

4.4.2.2. Opportunities for Improvement

City-County Coordination for Permanent Supportive Housing

A challenge identified during the assessment was the shared responsibility between the City and the County in funding and operating PSH. While the City partially finances the infrastructure for a designated number of PSH units within a project (with some additional units set aside for affordable housing), the County may also elect to contribute infrastructure funding and is responsible for contracting and funding the services (i.e., intensive case management). In practice, this arrangement can result in reclassification of certain affordable housing units into PSH based on modifications to service contracts. As a result, the City did not always have the most current information on the number of units that served as permanent supportive housing versus affordable housing. Further, the service contracts that the County provided for PSH services did not specify the number of beds or participants. This misalignment illustrates the importance of ongoing collaboration and transparent communication among stakeholders to ensure alignment, coordination, and clarity regarding the resources and services available to PEH.

Matching

Due to the high costs associated with PSH in the City, funding for PSH was often a combination of federal, state, and local funds. Consequently, each unit within the PSH project may have had different eligibility criteria and application processes, making coordination and matching complex. Further, in a memo dated February 22, 2022, LAHSA acknowledged a “concerning level” of project-based PSH vacancies and extended timelines to fill vacant units.⁴⁴⁴ During onsite fieldwork, service providers consistently reported similar concerns about delays in the matching process. Consequently, despite the new centralized matching approach for PSH, certain systemic constraints appeared to persist.

In an attempt to analyze and verify the vacancy rates at PSH sites, A&M requested RMS Vacancy reports from LAHSA for the PSH sites established under the Roadmap and Alliance Programs. The RMS data produced in response to this request contained listings of units at PSH locations with the “Status” (e.g., “Occupied,” “Match Confirmed,” “Available for Match,” etc.) of each unit. However, A&M identified instances where the total number of listed units reported in the RMS Vacancy reports did not match the number of beds reported for the respective site in the quarterly status reports to the Court. Without being able to confirm the base number of units for each PSH site within the RMS Vacancy reports, a vacancy analysis could not be performed. Further, approximately 20% of the PSH sites identified as “open” were not found in the RMS system at all, deepening concerns about transparency regarding available resources and potential underutilization of those resources.

KEY TAKEAWAYS OF SECTION 4.4

- County-funded interim housing beds, specifically the High Service Need Interim Housing beds, were designed to serve participants with higher levels of acuity. However, participants generally presented similar levels of need across other types of interim housing beds within the City. Without clear distinctions in levels of acuity, the intended purpose of specialized beds (e.g., serving as a stabilization step) becomes convoluted, complicating the system’s capacity to allocate resources effectively.
- Multiple entities had their own referral and matching processes, which potentially introduced inefficiencies and confusion among both service providers and people experiencing homelessness who were seeking assistance.
- Although both the City and the County contributed funding to housing infrastructure that, at times, included both affordable housing and PSH units, the County exclusively funded the intensive case management services for the newly established PSH units. Under certain contractual arrangements, the County’s services extended to additional units within the same site, effectively converting some affordable housing units to PSH. As a result, the City lacked clear visibility into the actual number of PSH and affordable housing units in the City, reducing overall transparency regarding the available housing resources.
- Missing or untracked PSH sites and their respective beds in the RMS raised concerns about whether those beds remain actively operational and whether appropriate matches were made. This uncertainty limited a unified view of the total available resources, potentially leaving beds underutilized and undocumented.

⁴⁴⁴ LAHSA, Vacant Turnover Units Project-Based Permanent Supportive Housing, dated February 22, 2022, p. 1 of 3.

4.5 EFFECTIVENESS OF SERVICES

Another key objective of this performance assessment was to determine whether City Programs effectively supported PEH in obtaining or maintaining housing, relative to the outcomes they might have faced without these interventions. Specifically, the assessment attempted to measure whether participation in these City Programs reduced the time individuals spent unsheltered and supported their long-term housing stability. However, limited data availability and quality constrained the accuracy and completeness of these analyses.

For example, the data provided to A&M offered minimal insight into the extent to which outreach services and referrals ultimately led unsheltered PEH to secure housing and supportive services. Additionally, it was not possible to trace whether individuals counted in the annual PIT count later received assistance through the City Programs, introducing further uncertainty in evaluating the reach and impact of these housing interventions and respective services. Consequently, while these City Programs play an important role in addressing homelessness, the absence of critical data elements limited A&M's ability to draw definitive conclusions about their overall effectiveness.

4.5.1. COMPARATIVE ANALYSIS OF METRICS ACROSS CITY PROGRAMS

To assess the effectiveness of services across the City Programs, A&M analyzed performance data from various sources to evaluate the City Programs' ability to achieve intended outcomes, including service accessibility, housing placements and sustainable exits. As mentioned previously, significant data limitations constrained the scope of these analyses. For example, HACLA did not provide PSH data that would have shed further light on long-term housing impacts. Moreover, only the data reports produced by LAHSA and the County related to the City Programs were available, precluding broader comparisons to other service offerings.

LAHSA provided data from HMIS, while the County supplied multiple data sources including but not limited to HMIS, Comprehensive Health Accompaniment Management Platform ("CHAMP"), Integrated Behavioral Health Information System ("IBHIS"), SAPC claims, and California Outcomes Measurement System ("CalOMS"). The data from HMIS was categorized by subprogram identifiers established by LAHSA, making performance results dependent on the accuracy and completeness of those designations. Additionally, the service provider contracts LAHSA identified in HMIS as associated with the City Programs did not always match those linked to the City Programs within LAHSA's accounting data. Consequently, the performance data and financial data may be slightly misaligned.

Additionally, missing critical data elements, such as accurate and complete records of unsheltered periods, and incomplete information in existing reports made it difficult to draw definitive conclusions. In many cases, data quality was compromised due to reliance on timely and accurate inputs from system users. Collectively, these factors limited the ability to thoroughly assess the City Programs' effectiveness and identify improvement opportunities to better serve the unsheltered community.

4.5.1.1. *Shelter and Interim Housing*

Each of the City Programs established interim housing interventions across various types of subprograms. The chart below exhibits comparative metrics across the Lookback Period to offer insight into service effectiveness. As mentioned previously, LAHSA did not differentiate between emergency shelter and other interim housing interventions, which prevented A&M from accurately distinguishing them, especially under the Roadmap Program. Because, as mentioned previously, the Alliance Program and the Inside Safe

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Program did not appear to establish traditional emergency shelter interventions. Consequently, the data reflects both emergency shelter and interim housing interventions. To limit the performance data within the scope of this assessment, Figure 4.1 exhibits shelter and interim housing metrics based on participants who enrolled in the LAHSA subprograms across the Lookback Period.⁴⁴⁵

FIGURE 4.1

Shelter and Interim Housing Enrollments by City Program Across the Lookback Period

City Program	Number of Total Participants	Number of Unique Participants	Median Days Until Exit	Median Percentage Document Ready
Roadmap Program	34,564	30,711	71	80.0%
Alliance Program	378	353	111	84.4%
Inside Safe Program	3,209	2,991	162	78.3%

The Roadmap Program enrolled the largest number of participants, indicating a substantial reach within the City’s homelessness assistance efforts. Meanwhile, the Inside Safe Program had the second highest enrollment of interim housing but recorded the longest median duration before clients exited. This trend suggests that although the Inside Safe Program served fewer participants, those it did enroll tended to remain in Inside Safe for a longer period in comparison to the other subprograms under the Roadmap Program. Such differences draw attention to the need to examine factors influencing the length of stay and to determine whether variations in service delivery, participant needs, or other variables contribute to these contrasting outcomes.

Of the approximately 38,000 participants served across the Lookback Period by the shelter and interim housing beds established by the City Programs, 51% of participants were enrolled in more than one of the City’s interim housing and/or shelter subprograms. Because the performance data did not differentiate between these intervention types, this high re-enrollment rate may reflect a progressive engagement model within the CoC where participants moved between subprograms as their needs evolved and resources became available; or due to site closures, participants may have been transferred to a different subprogram. Alternatively, it may point to inefficiencies in delivering services and highlights uncertainty about whether services were successfully coordinated. This ambiguity underscores the importance of enhanced data tracking to determine whether services are meeting participant needs optimally. Furthermore, upon reviewing the invoices related to the Inside Safe Program, the CAO identified an instance where two participants occupying the respective motel/hotel site were also served under the Augmented Winter Shelter subprogram.⁴⁴⁶ This overlap introduces ambiguity regarding whether a net increase in bed capacity was achieved across the City Programs or whether existing beds were merely reallocated across subprograms.

⁴⁴⁵ This data was provided by LAHSA on December 17, 2024.

⁴⁴⁶ Inside Safe Motel Invoices.

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FIGURE 4.2

Shelter and Interim Housing Exits by City Program Across the Lookback Period

City Program	Percentage of Clients Exited	Exited to Permanent Housing	Exited to Homelessness	Exited to Homelessness and Not Specified
Roadmap Program	93.6%	17.2%	36.6%	72.5%
Alliance Program	71.7%	18.8%	49.8%	66.4%
Inside Safe Program	67.1%	35.2%	28.7%	53.9%

FIGURE NOTE: Alliance Program and Inside Safe Program did not establish any shelter interventions.

Among the City Programs, the Inside Safe Program reported the longest median stay until exit, the lowest median percentage of document-ready participants, and the highest rate of exits to permanent housing. By contrast, the Alliance Program reported the highest percentage of document-ready participants but reported the lowest exits to permanent housing and approximately 50% of its exits as returning to homelessness.

Although the Inside Safe Program demonstrated a higher placement rate into permanent housing, it also had the fewest document-ready clients across the Lookback Period. Given that permanent housing is a limited resource, the factors contributing to this trend remained unclear and raised questions about equitable distribution. Absent more detailed data on the selected participants for permanent housing, it was difficult to determine whether the higher exit rate reflected a more effective program design or other contributing factors. This gap emphasized the need for transparent processes to ensure equitable access to permanent housing.

Due to limited detail within the HMIS data, it was not possible to determine whether exits categorized as permanent housing were specifically through TLS or PSH. This distinction is significant because these two interventions offer different levels of support and may result in varying long-term stability outcomes.

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FIGURE 4.3

Overview of Interim Housing Subprograms by Sampled Sites for Clients Enrolled Across the Lookback Period

Sampled Contract	LAHSA Subprogram	Clients Enrolled	Clients Exited	Median Days Until Exit	Document Ready	Exit Data		
						Permanent Housing	Return to Homelessness	Homelessness and Not Specified
Roadmap #1	A Bridge Home	632	588	84	81.2%	22.1%	45.7%	66.7%
Roadmap #2	A Bridge Home	791	751	55	79.6%	19.0%	47.4%	62.5%
Roadmap #3	Roadmap IH	898	748	132	79.7%	26.5%	7.6%	61.5%
Roadmap #4	Roadmap IH	801	730	57	77.7%	10.5%	35.5%	85.2%
Roadmap #5	Roadmap IH	168	138	56	86.3%	13.8%	12.3%	76.8%
Roadmap #6	Safe Parking	296	277	41	93.6%	19.1%	51.3%	67.9%
Roadmap #7	Safe Sleep	556	517	44	64.0%	4.3%	71.2%	85.1%
Roadmap #8	Tiny Home Village	874	760	79	82.2%	15.9%	61.7%	78.4%
Roadmap #9	Tiny Home Village	624	545	103	81.9%	25.5%	49.7%	65.5%
Alliance #1	Roadmap IH	378	271	111	84.4%	18.8%	49.8%	66.4%
Inside Safe #1	Inside Safe	267	267	196	78.3%	23.2%	42.3%	68.9%
Inside Safe #2	Inside Safe	268	171	123	58.6%	21.6%	6.4%	67.3%
Inside Safe #3	Inside Safe	559	352	186	64.4%	49.7%	17.6%	36.4%

FIGURE NOTE: This performance data represents enrollments on or before June 30, 2024.

Overview of Interim Housing Subprograms by Sampled Sites for Clients Enrolled in FY 2023-24

FIGURE NOTE: The performance data represents clients enrolled and exited during FY 2023-24. Reference Figure 3.22 for supplemental financial detail. *This site (Inside Safe #1) closed in FY 2023-24, and participants were transitioned to another location. Further, this performance data was limited to a City-funded service provider contract with LAHSA, other performance data exists under additional contract(s).

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For FY 2023-24, the sampled sites reported a median permanent housing exit rate of approximately 22.0%, whereas 47.8% of exits resulted in a return to homelessness, exceeding the rate of exits to permanent housing. Within the sample, one congregate site (Roadmap #1) reported a higher permanent housing placement rate than a non-congregate site (Inside Safe #1). At other sampled locations, however, non-congregate sites sometimes demonstrated higher placement rates than congregate sites. This variation illustrates the risk of oversimplifying any single housing arrangement, such as congregate or non-congregate, as the primary driver of successful outcomes. Figure 4.3 and 4.4 present data across multiple subprograms, but no clear trends or direct correlations emerge. For example, a high percentage of document-ready participants or long duration of stay did not appear to yield a corresponding increase in permanent housing placements.

In terms of enrollment rates, as previously noted, due to the nature of the Inside Safe Program and its operations, it was not possible to calculate an enrollment rate given the lack of clarity regarding the total number of beds served by these contracts. For the remaining sites with available data, enrollment rates ranged from 62.7% to 97.3%. This variation may be due to differences in actual capacity along with the timing of participant matching or intake processes. Because enrollment rates depend on the accurate number of open and occupiable beds, any misalignment in reporting can lead to discrepancies between reported and actual utilization.

In summary, a site's performance was influenced by multiple factors, such as staffing ratios, participants' acuity, resource allocation, quality of supportive services, and external factors. Consequently, determining whether a subprogram or site performs effectively requires a nuanced examination of these intersecting elements rather than relying on a single indicator, such as type of housing arrangement or subprogram.

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FIGURE 4.5

Permanent Housing Exits of Sampled Sites for Clients Enrolled in FY 2023-24

Sampled Site	LAHSA Subprogram	Exits to Permanent Housing			
		Subsidized Exit	Median Days to Subsidized Exit	Unsubsidized Exit	Median Days to Unsubsidized Exit
Roadmap #1	A Bridge Home	80.0%	329	20.0%	62
Roadmap #2	A Bridge Home	54.5%	233	45.5%	110
Roadmap #3	Roadmap IH	80.3%	380	19.7%	301
Roadmap #4	Roadmap IH	81.8%	315	18.2%	265
Roadmap #5	Roadmap IH	84.2%	273	15.8%	120
Roadmap #6	Safe Parking	35.8%	118	64.2%	42
Roadmap #7	Safe Sleep	81.8%	387	18.2%	151
Roadmap #8	Tiny Home Village	91.7%	329	8.3%	179
Roadmap #9	Tiny Home Village	87.1%	340	12.9%	102
Alliance #1	Roadmap IH	78.4%	184	21.6%	45
Inside Safe #1	Inside Safe	82.3%	141	17.7%	115
Inside Safe #2	Inside Safe	91.9%	219	8.1%	13
Inside Safe #3	Inside Safe	88.0%	189	12.0%	194

Across the sampled subprograms, the majority of permanent housing exits involved subsidized placements rather than unsubsidized ones, as exhibited in Figure 4.5. Notably, participants who exited to unsubsidized situations did so in fewer days compared to those receiving subsidies. However, the median time to complete a subsidized exit varied widely among the different subprograms. By subprogram, Tiny Home Village recorded the longest time to a permanent housing exit with the highest percent of subsidized exits on average, whereas Safe Parking had the shortest and lowest percent of subsidized exits. Differences in permanent housing placement rates and median days to subsidized exits among the subprograms may reflect multiple factors such as potential inequitable distribution of subsidies (as certain subprograms may receive a disproportionate share of funding or prioritize certain populations), participant characteristics, variations in the availability of supportive services, and external factors, such as landlord engagement, local rental market conditions or available PSH units, that may impact the feasibility and pace of permanent housing exits. Consequently, interpreting differences in performance across subprograms often necessitates a comprehensive look at funding mechanisms, participant needs, operational practices, and broader community resources.

Overall, these varying statistics across subprograms and service providers highlight potential inconsistencies in service delivery, resource allocation, and potentially, poor data quality. They also indicate a need for standardized metrics and closer examination of factors influencing participant engagement and housing stability. Without a more uniform approach, the system remains vulnerable to uneven performance, under- or over-utilized resources, and the risk that PEH may not receive the most effective interventions.

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4.5.1.2. Mental Health and Substance Use Disorder Treatment

Limited data was available in determining whether the City Programs supported participants' overall well-being and access to mental health or substance use disorder services. In an attempt to gain further insight, A&M examined data on the designated "mental health/SUD beds" to determine the number of City Program shelter and interim housing participants who received access to these services. However, the data provided did not provide a clear picture of the outcomes of these interventions, hindering a complete evaluation of the effectiveness of "mental health/SUD beds" for participants enrolled within the City Programs.

During the Lookback Period, approximately 34,000 unique participants were enrolled in shelter and interim housing beds created under the City Programs. Of these participants, 632 unique participants accessed a mental health/SUD bed service while enrolled in a City Program; some participants accessed multiple types of services on different occasions, for a total of 996 services exhibited in Figure 4.6. Of the 632 unique participants, 76 participants entered or exited the City shelter or interim housing bed on the same day of enrollment in a mental health/SUD bed, indicating a direct transition between enrollments.

FIGURE 4.6

Number of Services for Enrolled Participants in Mental Health/SUD Beds by Type of Service and City Program Across the Lookback Period

Service Type	Roadmap Program	Alliance Program	Inside Safe Program	Grand Total
Acute Inpatient	574	4	20	598
Withdrawal Management (Bed) Services	185	1	26	212
Residential (Bed) Services	136	1	15	152
Recovery Bridge Housing	11	0	1	12
Other Residential	11	0	0	11
Sobering Center	4	0	7	11
Grand Total	921	6	69	996

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FIGURE 4.7

Number of Services for All Participants in Mental Health/SUD Beds by City Program Across the Lookback Period

City Program	Timing of Service	
	Before/After Enrollment	During Enrollment
Roadmap Program	13,493	913
Alliance Program	87	6
Inside Safe Program	721	67
Grand Total	14,301	986

FIGURE NOTE: The number of services decreased from 996 due to participants who received more than one type of service during enrollment.

“Acute Inpatient” under DMH, “Withdrawal Management (Bed) Services” and “Residential (Bed) Services” under DPH-SAPC were the most accessed services. As exhibited in Figure 4.7, fewer participants accessing services in mental health/SUD beds during their enrollment in a City Program than before or after may suggest gaps in referral pathways, timing, or communication between service providers and participants. For instance, participants may have faced logistical challenges, such as transportation or timely referrals, making it more difficult to secure a mental health/SUD bed; or, they may have been unaware that services in mental health/SUD beds were available while enrolled in a subprogram. A more comprehensive analysis would require additional data on referral processes and pathways, including the referrals issued and received and whether participants received services, to fully evaluate access and utilization rates. Consequently, A&M’s ability to interpret participant enrollment in mental health/SUD beds was constrained by insufficient data.

According to available information, across the Lookback Period, there was not a system that tracked SUD bed referrals. Mental health bed referrals can only be initiated by clinical providers.⁴⁴⁷ Street outreach teams could not directly refer individuals to a mental health bed; instead, they may have referred participants to clinical providers who determined the appropriate level of care and made a referral, as needed.⁴⁴⁸ Moreover, the total number of mental health/SUD beds available across the Lookback Period remained unknown, leaving uncertainty about the number of available beds. In addition, no unified dataset reliably tracked a DMH referral alongside previous engagements with outreach teams or service providers. This gap in referral tracking and unclear bed inventory restricted A&M’s ability to evaluate participant access to these specialized services and assess the effectiveness of existing referral processes.

Overall, the number of participants that accessed mental health/SUD beds represented a small subset of the overall participant population. This shortfall suggests potential fragmentation in referral mechanisms, service capacity, and outreach strategies for these services. The limited utilization raised concerns about the overall effectiveness of the City Program in meeting participants’ long-term needs, as individuals who did not receive timely and appropriate mental health support may have experienced poorer outcomes and reduced housing stability.

⁴⁴⁷ Correspondence by County Attorneys dated December 10, 2024.

⁴⁴⁸ Ibid.

4.5.1.3. High Service Need Interim Housing

Although the High Service Need Interim Housing beds were not counted under the interventions for the City Programs, the Alliance MOU stipulated that individuals exiting the High Service Need Interim Housing beds should receive priority for City interim housing placements once they were “ready to be discharged.”⁴⁴⁹

An analysis of the City shelter and interim housing beds established under the City Programs revealed that 276 unique participants from the High Service Need Interim Housing beds eventually enrolled in a City shelter or interim housing bed after an average gap of approximately 360 days, nearly one year after discharge. Although High Service Need Interim Housing beds were intended to provide a recuperative or stabilization option prior to transitioning to City shelter or interim housing beds, the significant delay suggests a disconnect in the CoC system. Moreover, 421 unique participants transitioned from a City shelter or interim housing bed to a High Service Need Interim Housing bed, outnumbering those who moved from High Service Need Interim Housing beds to City shelter or interim housing beds. While the system design and Alliance MOU agreement anticipated participants initially enrolling in High Service Need Interim Housing beds and later stepping down to City interim housing upon discharge, the data exhibited the opposite pattern: More individuals began in City interim housing and later enrolled in High Service Need Interim Housing beds. This misalignment between intended design and actual data highlights potential inefficiencies in resource allocation and raises broader concerns about the system’s effectiveness in delivering the appropriate level of care at the right time.

During onsite fieldwork, service providers reported that the participant acuity levels were not clearly distinguishable between City interim housing beds and the High Service Need Interim Housing beds, and participants were not transferred to another site upon reaching a specific acuity level. Given that both bed types appeared to serve participants with similar acuity levels, the pattern from the analysis indicated that the original design, where High Service Need Interim Housing beds would address higher-acuity needs before transitioning participants, did not function as envisioned. These findings raise concerns about the efficacy of the overall CoC system in providing a timely and cohesive pathway to long-term stability.

4.5.1.4. Permanent Supportive Housing

The Roadmap Program and Alliance Program both established PSH interventions; using data provided by the County,⁴⁵⁰ Figure 4.8 below exhibits comparative metrics across the Lookback Period to offer insight into the effectiveness of services.

⁴⁴⁹ Alliance MOU between County and City, dated May 2, 2024, pp. 5-6 of 15.

⁴⁵⁰ A&M requested data for the provision of County-funded services to eligible participants served at PSH beds established under the Roadmap and Alliance Programs; the “permanent_housing_site” field did not include an address, so A&M was unable to comprehensively verify that the PSH data provided aligned with all relevant sites opened as of June 30, 2024 under the City Programs as reported in the respective quarterly status reports to the Court.

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FIGURE 4.8

Enrolled PSH Participants with Move-In Dates by City Program Across the Lookback Period

City Program	Total Number of Participants	Median Days Until Exit from PH	Percent of Clients Exited from PH
Roadmap Program	63	401	43.8%
Alliance Program	2,599	285	10.2%
Inside Safe Program	N/A	N/A	N/A

FIGURE NOTE: “Median Days Until Exit from PH” is based on the move-in and move-out dates in the PSH data; A&M noted inconsistencies in the reported “move-out” and “exit” dates within the PSH data for the Alliance Program and relied on the “move-out” date (i.e., in the absence of a move-out date, A&M assumed the individual is still enrolled in PSH).

The data summarized in Figure 4.8 was produced by the County; however, within the PSH data, a “source” field indicated that data was pulled from both HMIS and CHAMP. Data from HMIS included only three PSH sites under the Roadmap Program, offering limited insight into the participants served across the 16 PSH interventions established under the Roadmap Program. Additionally, one of the Roadmap Program’s PSH sites had no “move-in” dates within the data, despite the City reporting that 10 PEH had been served at this location. These discrepancies highlight the convoluted nature of the manner in which PEH are tracked throughout the information technology systems employed by different stakeholders, especially when attempting to parse the data by locations categorized under the City Programs.

While the median length of stay at the Roadmap Program’s PSH sites (401 days) was longer than the Alliance Program’s PSH sites (285 days), the Roadmap Program exhibited a higher rate of PSH exits at 43.8%. Both metrics may reflect the longer operational tenure of the Roadmap Program’s PSH sites compared to those of the Alliance Program, which opened more recently during the Lookback Period.

During the Lookback Period, 2,662 individuals moved into PSH units⁴⁵¹ created under the Roadmap and Alliance Programs. Participants residing in PSH units were, generally, provided with approximately 40 unique services overseen by the following County departments:

- Department of Health Services (including Housing for Health, Countywide Benefits Entitlement Services Team (“CBEST”), and medical services),
- Department of Public Social Services (“DPSS”),
- DMH, and
- Department of Public Health – Substance Abuse Prevention and Control (“DPH-SAPC”)

Figures 4.9 and 4.10 below demonstrate the most highly utilized County services provided both before and after each participant was enrolled in the PSH program.⁴⁵²

⁴⁵¹ 2,658 unique PSH participants (out of the 2,662 total PSH participants) enrolled under the Roadmap Program (63) and Alliance Program (2,595). Under the Alliance Program, four PSH participants, ultimately, moved into different PSH locations for a unique participant count of 2,599.

⁴⁵² For clients with a move-in date during the Lookback Period, services provided were summarized prior to PSH enrollment and from the PSH enrollment date through the move-out date (if applicable).

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FIGURE 4.9

County Services for Enrolled PSH Participants with Move-In Dates under the Roadmap Program Across the Lookback Period

Type of Service	County Department	Before PSH Enrollment		After PSH Enrollment	
		Number of Participants	% of Total Participants	Number of Participants	% of Total Participants
Intensive Case Management Services	DHS Housing for Health	-	0%	-	0%
CalFresh	DPSS	50	79%	53	84%
Medi-Cal	DPSS	28	44%	32	51%
Outpatient	DMH	33	52%	32	51%
	DHS-Medical	4	6%	7	11%
General Assistance/General Relief	DPSS	12	19%	9	14%
General Relief Opportunities for Work	DPSS	-	0%	-	0%
Emergency Room	DHS-Medical	11	17%	6	10%

FIGURE NOTE: Not reflected in the table were DPH-SAPC services were provided to five, or 18%, of participants prior to enrollment and four, or 6%, of participants subsequent to enrollment in the PSH program.

FIGURE 4.10

County Services for Enrolled PSH Participants with Move-In Dates under the Alliance Program Across the Lookback Period

Type of Service	County Department	Before PSH Enrollment		After PSH Enrollment	
		Number of Participants	% of Total Participants	Number of Participants	% of Total Participants
Intensive Case Management Services	DHS Housing for Health	-	0%	2,595	100%
CalFresh	DPSS	2,335	90%	2,337	90%
Medi-Cal	DPSS	1,894	73%	1,781	69%
Outpatient	DMH	1,323	51%	1,123	43%
	DHS-Medical	676	26%	357	14%
General Assistance/General Relief	DPSS	1,313	51%	1,168	45%
General Relief Opportunities for Work	DPSS	876	34%	662	26%
Emergency Room	DHS-Medical	874	34%	468	18%

FIGURE NOTE: Not reflected in the table were DPH-SAPC services provided to 367, or 14%, of participants prior to enrollment and 137, or 5%, of participants subsequent to enrollment in the PSH program.

The PSH service data exhibited above demonstrates that participants served under both the Roadmap and Alliance Programs received County services prior to PSH enrollment. Under the Alliance Program, however, 100% of participants received Intensive Case Management following their enrollment at the PSH site. Comparable data was not available for the Roadmap Program, potentially due to differences in the

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information systems, HMIS and CHAMP, from which the data was obtained. Overall, the Alliance Program appears to have a higher proportion of participants connected to services.

Because the exit, or move-out, data on exit destinations for all PSH participants enrolled was not available, A&M was unable to analyze the outcomes of the participants (e.g., deceased, relocated, or returned to homelessness). However, the HMIS data provided by LAHSA for the PSH sites under the Roadmap Program, though not fully aligned with the County's PSH records, indicated that an average of 60% of participants exited the PSH sites, with a median exit rate of 46%. Of these exits, an average of 29%, median of 36%, was attributed to participant deaths, while an average of 1% involved individuals returning to homelessness.

A comparison between the permanent housing interventions established under the Roadmap Program, specifically TLS and PSH beds, revealed differing exit patterns and potential service gaps. An average of 64% of participants in TLS exited, median exit rate of 66%; of these exits, approximately 60%, median of 63%, transitioned to a form of permanent housing, though it is unclear whether this exit was to another TLS subprogram or PSH site. This exit data reflects a need for continued rental subsidies and/or supportive services, such as intensive case management. An average of approximately 10% of TLS participants returned to homelessness. These trends underscore the distinct support requirements for long-term housing interventions and highlight the importance of strengthening the provision of ongoing services to foster sustained housing retention.

KEY TAKEAWAYS OF SECTION 4.5

- A review of the sampled sites found that 22.0% of participants exited to permanent housing, while 47.8% returned to homelessness, a higher rate than permanent housing exits. This discrepancy suggests ongoing challenges in maintaining stable housing and underscores the need for stronger strategies to reduce returns to homelessness.
- In the absence of uniform, transparent protocols for distributing housing resources and associated services, some individuals experiencing homelessness may have received quicker or more extensive support, such as permanent housing, mental health/SUD beds, and High Service Need Interim Housing beds, than others with comparable needs. This lack of clarity as to why certain individuals received quicker and more extensive support not only complicates accountability but also hinders stakeholders' ability to assess the long-term stability of participants and the overall effectiveness of these City Programs in serving people experiencing homelessness.
- Multiple segmented data systems and a lack of integration among them hindered the ability to track individuals experiencing homelessness throughout their engagement with services. This fragmentation not only complicated efforts to consolidate critical information, such as service utilization and outcomes, but also increased the risk of duplicated or incomplete records. Consequently, identifying an individual's progress and coordinating service delivery across various subprograms became more challenging, potentially undermining the effectiveness of the homelessness assistance services provided under the City Programs.
- Without a clear grasp on the types and range of supportive services that increase housing retention or contribute to higher exit rates or reentry into homelessness, resource allocation decisions may not effectively address existing service delivery gaps. Consequently, the inability to tailor funding and support to meet actual needs could undermine the overall effectiveness of the City Programs.

SECTION 5

Assessment of Monitoring and Oversight by LAHSA

5.1 A&M APPROACH TO EVALUATION OF MONITORING AND OVERSIGHT BY LAHSA

The financial and performance assessment mainly focused on LAHSA's monitoring and oversight processes of service providers, given its role in managing the majority of the City's funds for homelessness assistance services under the City Programs. However, the County also delivered services directly and/or contracted with service providers for City-funded beds, specifically PSH. This arrangement resulted in distinct monitoring and oversight frameworks across the two entities. For the purposes of this section, the focus remains on LAHSA, as it administered the majority of funding for homelessness assistance services for the City.

5.2 GOVERNANCE AND ACCOUNTABILITY

LAHSA was established in response to litigation in the 1980s and early 1990s, sparked by disagreements between the City and the County.⁴⁵³ Its authority derives from the JPAA, dated December 17, 1993, executed between the City and the County.⁴⁵⁴ This foundational agreement permits LAHSA to exercise its powers independently from the City and the County, coordinating existing services for the PEH previously operated separately by the City and County.⁴⁵⁵ It also authorizes LAHSA to design, fund, and operate other homeless and social services to assist those in the community who are eligible for those services.⁴⁵⁶ LAHSA was authorized to do all acts necessary, including but not limited to:

- Make and enter into contracts,
- Employ agents and employees,
- Acquire, construct, manage, maintain, operate and lease buildings, works or improvements,
- Acquire, hold or dispose of property within the County,
- Incur debts, liabilities, or obligations, which shall not constitute debts, liabilities or obligations of the City or the County,
- Receive services and other forms of assistance from persons, firms, corporations, and any governmental entity, and
- Solicit charitable contributions from private sources.

The JPAA stipulated that none of its provisions would preclude the City or the County from establishing, maintaining, or providing social programs or services to their residents as deemed appropriate and necessary.⁴⁵⁷

⁴⁵³ LAist, Confused About What the LA Homeless Services Authority (LAHSA) Does? We Have Answers., dated September 27, 2021.

⁴⁵⁴ LAHSA Joint Powers Authority Agreement, dated December 17, 1993, p. 1 of 20.

⁴⁵⁵ LAHSA Joint Powers Authority Agreement (Amendment 1), dated February 28, 2001, pp. 5-7 of 28.

⁴⁵⁶ Ibid.

⁴⁵⁷ Ibid., p. 3.

5.2.1. OVERVIEW OF LAHSA'S GOVERNANCE STRUCTURE

LAHSA, as an organization, was designated as the HMIS lead, the management entity for the CES, and the collaborative applicant, bearing responsibility for administering and allocating homelessness assistance funding throughout the CoC system.⁴⁵⁸ The governing body of LAHSA is the Commission ("LAHSA Commission"), which is composed of 10 members with representatives appointed by both the City and the County.⁴⁵⁹ The City and the County authorized the LAHSA Commission to make "budgetary, funding, planning, and program policies related to homelessness, with a particular focus on funding sources administered by LAHSA on their behalf."⁴⁶⁰ In the JPAA, the City specified that its financial contributions must be allocated exclusively to services within its jurisdiction.⁴⁶¹ The Los Angeles CoC Governance Charter published by LAHSA additionally outlined other boards, councils, and committees that contribute to the overall governance of homelessness services and the continuum of care, including the LA CoC Board, the CES Policy Council, Lived Experience Advisory Board, and the Homeless Youth forum of Los Angeles.

In accordance with the JPAA, LAHSA was allowed to employ an Executive Director, Chief Financial Officer, and such other officers and employees as LAHSA deemed necessary to carry out any of its powers.⁴⁶² Departments within LAHSA, such as Access and Engagement, Finance, Contracts and Procurement, Data Analytics, Funding and Allocation, and Grants Management and Compliance, functioned under their respective responsibilities and lines of accountability.⁴⁶³

LAHSA was entrusted with various key activities:

- Serving as the lead agency for the LA CoC, which includes meeting HUD requirements and facilitating the annual PIT Count,
- Establishing priorities for funding,
- Administering and monitoring the delivery and quality of service contracts, and
- Managing data collection through the HMIS and producing official reports on service outcomes.⁴⁶⁴

5.3 DISTINGUISHED ROLES AND RESPONSIBILITIES

Throughout the Lookback Period, LAHSA was the primary administrator of the City's homelessness assistance services. This framework split responsibilities among multiple entities, notably between LAHD, LAHSA, and service providers. The following section clarifies the general roles and responsibilities of these parties, detailing the distribution of monitoring and oversight.

5.3.1. LOS ANGELES HOUSING DEPARTMENT

In relation to the City Programs within the scope of this assessment, the City, specifically LAHD, entered into various professional services agreements with LAHSA.⁴⁶⁵ These executed contracts authorized LAHSA to contract with service providers for the delivery of services for the applicable housing interventions established under the City Programs. The City outlined standard provisions, reporting

⁴⁵⁸ Los Angeles Continuum of Care Governance Charter adopted December 13, 2023, p. 8 of 22.

⁴⁵⁹ LAHSA Joint Powers Authority Agreement (Amendment 1), dated February 28, 2001, p. 7 of 28.

⁴⁶⁰ Los Angeles Continuum of Care Governance Charter adopted December 13, 2023, p. 7 of 22.

⁴⁶¹ LAHSA Joint Powers Authority Agreement (Amendment 1), dated February 28, 2001, p. 19 of 28.

⁴⁶² Ibid., p. 13.

⁴⁶³ LAHSA Organizational Chart as of June 1, 2024.

⁴⁶⁴ Los Angeles Continuum of Care Governance Charter adopted December 13, 2023, pp. 12-14 of 22.

⁴⁶⁵ LAHD was formerly known as the Housing and Community Investment Department across the Lookback Period.

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requirements, procedures, remedies, and other miscellaneous terms in the contracts pertaining to the respective City Program. LAHD was designated by the City to provide “the proper planning, coordination, direction, and management oversight of the City’s homeless programs and certain projects funded by the City” in its contract with LAHSA.⁴⁶⁶ Therefore, under the City’s contract with LAHSA, LAHD was designated to monitor and evaluate LAHSA’s performance, ensuring that all contracted activities align with the agreed-upon terms.

In an organizational chart provided by the City in May 2024, the LAHD had a unit titled “LAHSA Oversight” that exhibited six budgeted positions:

- One Sr. Project Coordinator,
- Three Management Analysts,
- One Project Coordinator, and
- One Admin. Clerk.⁴⁶⁷

Two of the three Management Analysts were identified as “vacant” – leaving four positions occupied.

According to a draft internal policy for reporting and monitoring of LAHSA, last revised in September 2024, LAHD was required to conduct periodic site visits to LAHSA’s programs, or subprograms, of each project sponsor at least once per year to verify compliance with the City’s contractual requirements.⁴⁶⁸ These site visits formed part of LAHD’s responsibility to ensure adherence to contract provisions and other obligations related to homeless programs funded by the City. Based on email correspondence from LAHD, this policy was not in effect throughout the entire Lookback Period, creating potential inconsistencies in monitoring activities. Notably, by design, the same team that approved LAHSA’s invoices, or cash requests, was also tasked with overseeing and monitoring LAHSA’s performance; therefore, this designed structure created a potential conflict of interest, as it combined financial validation responsibilities with broader oversight and monitoring responsibilities for compliance and service quality. Within this arrangement, impartial judgment may have been compromised, particularly if payment approvals conflicted with findings that indicated service deficiencies.

5.3.2. LOS ANGELES HOMELESS SERVICES AUTHORITY

In accordance with the contractual obligations under the professional services agreements between LAHSA and LAHD, LAHSA was charged with monitoring and oversight responsibilities, including ensuring subcontractor compliance with City terms, conducting periodic review of program and fiscal performance, and withholding funds when necessary. For example, in the Program-Named LAHSA Contracts and General Fund LAHSA Contract, they stated,

“[LAHSA to] Oversee and monitor all project activities, including those of subcontractors to which program participants are referred ... Ensure that the terms and conditions of this Agreement with the City are incorporated into all subcontractor agreements. The Contractor shall submit all subcontractor agreements to the City for review prior to the submission of cash requests. The Contractor shall withhold funds to any subcontractor agency that fails to comply with the terms and conditions of this Agreement and their respective subcontractor agreement.”⁴⁶⁹

⁴⁶⁶ City/LAHSA Roadmap Contract C-144656, p. 7 of 119.

⁴⁶⁷ LAHD, Organizational Chart - Program Operations and Grants Management, April 1, 2024.

⁴⁶⁸ LAHD, LAHSA Oversight Policies & Procedures, revised September 2024, p. 39 of 54.

⁴⁶⁹ City/LAHSA Roadmap Contract C-144656, Section 202.B.3.

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As a result of this requirement, LAHSA was directly responsible for ensuring compliance at the subcontractor, or service provider, level. If a service provider failed to meet contractual obligations, LAHSA was expected to withhold funds, functioning as the initial line of oversight.

Further, the Program-Named LAHSA Contracts and General Fund LAHSA Contract required, “Contractor [LAHSA] shall conduct periodic, objective program and fiscal monitoring reviews of the project it operates to ensure compliance with applicable federal, State and City requirements.”⁴⁷⁰ This contract language explicitly assigned LAHSA the duty to conduct its own monitoring of both program and fiscal management. With the language of “periodic, objective” reviews, it has an independent responsibility to identify and address any noncompliance or performance issues among the projects it operated or subcontracted.

To align contractual language with operations, during the assessment, A&M requested formal policies and procedures detailing the oversight of service providers within the scope of the assessment. In response, LAHSA provided a single document under this request⁴⁷¹ titled *Interim Housing Department: Standard Operating Procedures* last updated on April 26, 2024, which was specific to the Interim Housing Department (“IHD”). The document explained that the IHD staff were meant to utilize data to inform decisions, monitor activities, ensure adherence to SRSs, program standards and guides, and evaluate the effectiveness of interim housing in transitioning participants to permanent housing.⁴⁷² LAHSA Analysts and Coordinators were responsible for reviewing various reports for the programs under their purview, including HMIS Data Quality Reports, Active System Management reports, and budget versus actual expenditure reports generated from EGMS by the GMC.⁴⁷³ Coordinators were expected to contact service providers whose data implied non-compliance with SRS expectations. The process was designed for the GMC to take the lead with service providers concerning underspending, overspending, funding requests, and budget adjustments.⁴⁷⁴ The GMC was expected to conduct separate meetings with service providers to address these matters and consult with the Interim Housing Department staff to obtain KPI data and contextual information on spending-related challenges. The GMC was responsible for completing the monitoring reports of service providers, gathering all relevant financial and performance data, escalating these findings to their leadership, and making determinations regarding requests for additional funding. Due to the limited documentation provided, it remains unclear whether the processes identified for interim housing programs differ from those applicable to permanent housing programs.

According to an organizational chart provided by LAHSA, as of June 1, 2024, the IHD had 10 Coordinator positions, four of which were vacant. The IHD also had six Analyst positions, three of which were vacant.⁴⁷⁵

The Program-Named LAHSA Contracts and General Fund LAHSA Contract further outline: “The Contractor shall be responsible for compiling and maintaining a log of all grievances and formal complaints filed against itself, and of all grievances and formal complaints against subcontractors that are appealed to the Contractor.” LAHSA’s Quality Standards team was responsible for documenting the analysis and resolution of all grievances submitted by participants and the public concerning LAHSA and LAHSA-funded programs and services, thereby providing supplemental oversight of compliance with contractual

⁴⁷⁰ City/LAHSA Roadmap Contract C-144656, Section 202.B.6.

⁴⁷¹ LAHSA, Interim Housing Department: Standard Operating Procedures, updated April 26, 2024.

⁴⁷² LAHSA, Interim Housing Department: Standard Operating Procedures, updated April 26, 2024, p. 42 of 50.

⁴⁷³ Ibid., pp. 42-43.

⁴⁷⁴ Ibid., p. 45.

⁴⁷⁵ LAHSA Organizational Chart as of June 1, 2024, p. 40 of 71.

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requirements.⁴⁷⁶ LAHSA maintained a grievance process that triaged grievances and terminations, including associated appeals, through three distinct phases, designed to address participants' concerns.⁴⁷⁷

- In Phase One, the participant and the service provider completed the grievance appeal and/or termination appeal process. If the participant wanted to file an appeal after this phase, it triaged to Phase Two.
- In Phase Two, the LAHSA Quality Standards team verified that the participant was afforded due process during Phase One, and the service provider complied with the requirements. If the participant desired to pursue further appeal following this phase, the appeal entered Phase Three.
- In Phase Three, the grievance and/or termination appeal was reviewed by LAHSA's Risk Management Investigations Unit.

In summary, this sampling of clauses from contracts and documents assigned day-to-day compliance monitoring and enforcement responsibilities directly to LAHSA. Rather than merely acting as an intermediary, pass-through entity for funds, LAHSA was expected to actively ensure that each service provider adhered to the respective terms of its professional services agreements with the City and comply with all applicable regulatory standards. This arrangement appeared to relieve the City of needing to closely track each service provider directly, while retaining authority to hold LAHSA accountable if it failed to fulfill these duties. Therefore, service providers reported to and were regulated by LAHSA, and LAHSA remained accountable to the City for ensuring compliance of service providers.

5.3.3. SERVICE PROVIDERS

In the contracts between LAHSA and service providers, similar contract language involving monitoring and oversight was consistently identified. For example, in a sampled contract pertaining to homelessness assistance services under the City Programs, the agreement terms outlined that:

*"LAHSA and/or Funding Entity(ies) will monitor Contractor's [Service Provider's] performance under this Agreement on not less than annual basis. Such monitoring will include assessing Contractor's compliance with all Agreement terms and conditions and performance standards. LAHSA and/or Funding Entity(ies) shall issue a monitoring report following the fiscal and program monitoring reviews."*⁴⁷⁸

Additionally, the terms stated that the "Contractor [Service Provider] shall conduct periodic, objective program and fiscal monitoring reviews of the Program it operates to ensure compliance with applicable Federal, State, County, City, and LAHSA requirements."⁴⁷⁹ The contractual terms further outline, "Contractor [Service Provider] must maintain a written set of Grievance and Termination Policies and Procedures that comply with LAHSA requirements, as specified ... Contractors must submit a copy of said policies and procedures as required by this Agreement."⁴⁸⁰

A copy of the grievance policy and procedure attached to a service provider contract outlined:

"If the client believes that [Service Provider] has not followed this established Grievance Policy in hearing and attempting to resolve the grievance, the client has the right to: File a due process appeal with LAHSA after

⁴⁷⁶ LAHSA Data, Grievance Tracking [No Date Available].

⁴⁷⁷ Ibid.

⁴⁷⁸ Sampled Service Provider Contract Review, Section 35.

⁴⁷⁹ Sampled Service Provider Contract Review, Section 28.

⁴⁸⁰ Sampled Service Provider Contract Review, Section 28.

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*receiving the written decision from the dispute resolution or mediation meeting. The client will be assisted in filling out and submitting the LAHSA Grievance Resolution Appeal Form. [Service Provider] will either provide a stamped envelope address[ed] to LAHSA or fax the form directly to LAHSA depending on the client's choosing.*⁴⁸¹

This contractual language, mirroring the terms between LAHD and LAHSA, incorporated requirements for program and fiscal monitoring review as well as grievance procedures into LAHSA's service provider agreements. Consequently, service providers were expected to conduct internal oversight of their own service delivery, financial management, and compliance, assuming an active role in program quality and accountability alongside LAHSA's oversight role on behalf of the City.

The service providers became part of a broader accountability chain. Each level, City to LAHSA and LAHSA to service provider, maintained a layer of monitoring and oversight responsibility. As designed, this structure was intended to promote consistent evaluation of compliance, data integrity, and program effectiveness at multiple levels.

5.4 RESULTS FROM MONITORING AND OVERSIGHT PROCESSES

5.4.1. LOS ANGELES HOUSING DEPARTMENT

During the Lookback Period, LAHD disclosed it did not complete any monitoring reports of LAHSA due to the COVID-19 pandemic, from July 1, 2020, through June 30, 2023.⁴⁸² Beginning in FY2023-24, LAHD explained it completed monitored activities of LAHSA, specifically LAHSA's HETs funded under its contracts with LAHSA: C-140706, C-135650, and C-137223. In a joint effort with LAHSA, LAHD additionally monitored one service provider funded under four contracts between LAHD and LAHSA: C-135650, C-138675, C-137223, and C-144656. Although the City did not provide a monitoring report in reference to this joint monitoring effort with LAHSA, this omission may have been due to the timing of the report's completion.

LAHD's monitoring of LAHSA's HETs indicated that the teams were on track to meet their fiscal year performance target but identified the absence of comprehensive operational policies and procedures, which LAHD believed hindered a more thorough evaluation.

In addition to the COVID-19 pandemic, due to limited staffing, LAHD may have faced constraints in conducting thorough oversight of the six active contracts⁴⁸³ between LAHD and LAHSA, as of June 30, 2024, including three contracts that were explicitly tied to the City Programs (Program-Named LAHSA Contracts and General Fund LAHSA Contract). This limitation may have restricted LAHD's capacity to perform in-depth monitoring of LAHSA's contractual obligations and respective performance data. Further, although LAHD has management oversight of LAHSA, City officials may occupy seats on the LAHSA Commission, which complicates oversight mechanisms. When City officials shape policy at LAHSA, LAHD may be less inclined to highlight potential shortcomings in an entity the City helps govern. This limitation can lead to less rigorous audits, performance reviews, or corrective action.

⁴⁸¹ Sampled Service Provider Contract Review, Service Provider Client Grievance Policy and Procedure.

⁴⁸² LAHD Data, List of LAHSA Monitoring Reports [No Date Available].

⁴⁸³ Active City/LAHSA Contracts as of June 30, 2024: C-141840, C-144656, C-140706, C-138675, C-135650, and C-145331.

5.4.2. LOS ANGELES HOMELESS SERVICES AUTHORITY AND SERVICE PROVIDERS

As of August 2024, LAHSA identified and completed six monitoring reports of five service providers for services within scope during the Lookback Period – encompassing 42 unique contracts. Since a single monitoring report can include multiple contracts, among these 42 unique contracts, 18 contracts (excluding their amendments) were associated with the Program-Named LAHSA Contracts and General Fund LAHSA Contract.⁴⁸⁴ This monitoring activity represented 11% of, approximately, 165 LAHSA-managed contracts across the Lookback Period under the City Programs.⁴⁸⁵

Within the scope of this assessment, 45 findings and concerns were identified by LAHSA.⁴⁸⁶ Three contracts did not have a finding or concern reported; therefore, 15 of the 18 contracts within scope, or over 80%, had a finding or concern identified by LAHSA. This review of the sampled contracts revealed a high incidence of noncompliance during the monitoring reviews, indicating gaps in adherence to established contractual or regulatory standards. LAHSA’s findings highlight the need for strengthened oversight and corrective measures to ensure consistent compliance across all contracts. Common findings and concerns involved missing participant files and documentation, inaccurate bank reconciliations, and procurement issues. Although LAHSA’s monitoring reports highlighted these issues, LAHSA did not address the reasonableness of expenditures or the extent to which performance goals, or key performance indicators, were met. Consequently, this gap limits assurance that the expenditures incurred were aligned with intended service outcomes, potentially compromising the overall effectiveness and accountability of homelessness assistance services.

LAHSA’s findings identified instances of disallowed costs of approximately \$500 related to three of the 18 contracts within scope. Disallowed costs included purchases from Amazon, Ralph’s, a bakery, and Best Buy.⁴⁸⁷ LAHSA requested repayment of the costs questioned in the respective monitoring reports; A&M did not identify repayment of the amounts within the financial data that LAHSA produced to A&M.

During the review of executed contracts for sampled interim housing sites under the Roadmap Program and Alliance Program, A&M noted multiple discrepancies between the date the site was reported open and occupiable and the date of formal contract execution. Based on the service provider contracts provided by LAHSA related to the sampled sites, an average of 140 days elapsed between the site’s reported opening date and the contract execution date; however, due to changes in the contracts’ naming convention and potential deficiencies in recordkeeping, it is likely that LAHSA did not produce all relevant executed contracts pertaining to the sampled sites. As previously noted, A&M endeavored to identify which service provider contracts were associated with the sites established under the Roadmap and Alliance Programs. However, the initial list of contracts provided by LAHSA did not include approximately 145 contracts that LAHSA later claimed were related to these sites, resulting in confusion regarding which contracts pertained to the sites within scope. This confusion was compounded by the inconsistent referencing of interim

⁴⁸⁴ These contracts were identified using LAHSA’s financial records, which tracked the services associated with the City Programs’ housing interventions under LAHSA’s management.

⁴⁸⁵ Service provider contract nomenclatures changed between FY 2020-21 and FY 2021-22, making it challenging for A&M to fully reconcile older contract codes with the new ones based on the data provided by LAHSA. Consequently, to avoid duplication in the contract counts, 165 unique contracts incurred expenses tied to the City Programs from FY 2021-22 through FY 2023-23. (LAHSA Accounting Data).

⁴⁸⁶ These findings and concerns do not include the State of California’s Department of Housing and Community Development (“HCD”) “Areas of Attention.” HCD completed a desk monitoring between April 5, 2024 and December 15, 2022 of the Emergency Solutions Grant – CARES Act (ESG-CV) Program. The “Areas of Attention” identified by HCD were included for awareness in the monitoring reports but did not specify whether the “Areas of Attention” applied to the service provider.

⁴⁸⁷ Ibid.

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housing site locations within the respective contracts. Moreover, the County's Department of Auditor-Controller of LAHSA, identified analogous issues and raised similar concerns:

*"[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. In addition, we noted instances where contracts were executed excessively late and the delays were due to issues concerning LAHSA's internal contracting processes...Specifically, while LAHSA indicated they had 1,273 active contracts as of May 2024, LAHSA provided five different contract listings from EGMS that identified varying contract totals ranging from 676 to 1,078. Significantly, none of the different listings provided by LAHSA accounted for all of the active contracts LAHSA reported having."*⁴⁸⁸

A&M's analysis of the sampled sites' service provider contracts provided by LAHSA further identified that, on average, 82 days elapsed between the contract term's start date and the contract's execution date. Furthermore, each sampled contract reached full execution only after its stated term had already commenced. These delays not only created uncertainty about service delivery during the interim period but potentially complicated monitoring and oversight, as the necessary contractual framework for tracking compliance and performance was not formally established. In comparison, the service contracts provided by the County for PSH were executed prior to the start date of the contract term.

In relation to grievances, LAHSA produced a summary table in response to the request for the log of all grievances and formal complaints against subcontractors, or service providers, that were appealed to them, within the scope of the assessment. The summary table outlined the number of grievances by year for all service provider contracts as well as a section specific to the City Programs titled "Roadmap," along with the respective phases of the grievance process.

Of the 2,244 unique requests LAHSA received for grievance support from October 2020 through October 2024, LAHSA reported 45 grievances that were transitioned to Phase Two; therefore, approximately 2% of grievances escalated to Phase Two.⁴⁸⁹ Phase Three was not disclosed. In relation to Phase Two specific to participants of the City Programs, LAHSA produced six "Determination Appeal Notice" documents. LAHSA determined that due process was substantiated, and the service provider was found compliant in all instances; therefore, these grievances did not progress to Phase Three.

In summary, across the Lookback Period, over 80% of the City-funded service providers exhibited at least one instance of noncompliance with contractual requirements or other standards of the monitored contracts. Notably, the reported number of appealed grievances remained low, raising concerns about the effectiveness of the grievance process or awareness among participants of the process itself. Compounding this issue, the IHD units responsible for performance oversight faced staffing vacancies, which likely hindered their ability to conduct robust reviews and address compliance gaps. Further, the involvement of two separate LAHSA departments (IHD and GMC) in monitoring and oversight presented potential risks and gaps. Responsibility for key tasks, such as evaluating compliance, financial reporting, and performance metrics, may become fragmented, or duplicated across departments, leading to inconsistencies or omissions. Without a clearly defined chain of command and well-documented communication channels, accountability may have been diminished, and timely identification or resolution of compliance issues may

⁴⁸⁸ County of Los Angeles Department of Auditor-Controller, Los Angeles Homeless Services Authority – Finance, Contracts, Risk Management, and Grants Management Review, dated November 19, 2024, pp. 2-6 of 57

⁴⁸⁹ LAHSA Data, Grievance Tracking [No Date Available]; "Electronic tracking of grievances began in October 2020. Prior to this, files were stored in hard copy format."

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be hindered. Establishing a unified oversight framework with clearly delineated roles and responsibilities is critical to mitigating these challenges.

KEY TAKEAWAYS OF SECTION 5.4

- Although this assessment did not examine the monitoring and oversight of the County's service contracts, the County's direct provision of services and/or its direct contracting with service providers, appears to streamline communication and oversight by reducing an additional level of bureaucracy. Based on feedback from service providers, this structure facilitated more efficient coordination and clearer accountability in comparison to indirect contracting arrangements with the City.
- The number of staff vacancies limited LAHD's capacity for in-depth monitoring of LAHSA's contractual obligations and performance data. Moreover, because City officials served on LAHSA's Commission, LAHD may have been less inclined to highlight potential shortcomings with an entity the City helped govern. Additionally, the lack of separation of duties within LAHD created a potential conflict of interest, as it combined financial approval responsibilities with oversight of LAHSA. This arrangement increased risks for weaker audits, performance reviews, or corrective actions, ultimately reducing accountability
- Multiple factors point to the need for enhanced monitoring protocols, more robust grievance reporting mechanisms, and greater capacity to oversee service provider performance. For example, only 11% of service provider contracts underwent monitoring by LAHSA across the Lookback Period, and of those examined, 80% were found to be noncompliant. This limited monitoring and high noncompliance rate underscore the need for stronger oversight to ensure service effectiveness and accountability among all involved parties. Aligning performance and financial oversight is essential to verify that expenditures support intended service outcomes.
- Due to LAHSA's inability to accurately and completely identify and provide all service provider contracts, it was not possible to confirm whether the contracted services were established and available at each sampled site when the City reported them as open. This gap in documentation and recordkeeping complicated A&M's ability to confirm the scope and timing of service provision, raising concerns on the continuity and oversight of contracts. On average, 82 days passed between the contract's term start date and the contract's executed date. These discrepancies potentially complicated monitoring and oversight.

SECTION 6

The Los Angeles Police Department

6.1 A&M APPROACH TO LAPD ASSESSMENT

The LAPD is the largest City department with a budget for approximately 14,000 personnel and over \$1.8 billion during FY 2023-24.⁴⁹⁰ The majority of LAPD's policing activities are managed through the Office of Operations, which is comprised of four Bureaus that are further divided into 21 geographic Areas (or Divisions).⁴⁹¹ The LAPD's Homeless Coordinator's Office, along with a few other specialized Divisions, sits within the Office of Operations.

The LAPD's role in the context of A&M's assessment proved challenging to delineate, largely due to limited data documenting its specific involvement in the City Programs. The LAPD's core function of ensuring public safety means that the LAPD will be incidentally involved in any matter, related to homelessness or otherwise, where the public safety of citizens is at issue.

Therefore, the objective of A&M's review of the LAPD within the broader financial and performance assessment focused specifically on the evaluation of funds appropriated for the LAPD in the City's adopted Homeless Budgets. A&M aimed to furnish the Court with transparency regarding the LAPD's units that are directly involved in homelessness-related activities, the amount of expenditures associated with those activities, and where possible, the metrics tracked and reported by the LAPD.

6.2 ROLES AND RESPONSIBILITIES FOR HOMELESS SERVICES

A&M requested financial data and performance metrics for the budgeted items in Figure 6.1 for the LAPD in the City's Homeless Budgets throughout the Lookback Period:

⁴⁹⁰ City of Los Angeles 2023-24 Budget Summary, pp. 11 and 13 of 27.

⁴⁹¹ LAPD, Office of Operations (<https://www.lapdonline.org/office-of-the-chief-of-police/office-of-operations/>).

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FIGURE 6.1

**LAPD Budgeted Amounts per the City’s Annual Homeless Budget
 Across the Lookback Period**

LAPD Homeless Budget Category	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Grand Total
A Bridge Home / Overtime for IHHS	\$8,400,000	\$8,000,000	\$9,000,000	\$8,360,000	\$33,760,000
Homeless Coordinator Resources	216,482	220,938	231,035	255,326	923,781
Resource Enhancement Services and Enforcement Team (RESET)	257,703	282,042	296,819	316,967	1,153,531
Unified Homeless Response Center (UHRC)	434,000	437,459	460,578	472,900	1,804,937
Proactive Engagement Staff / Support for Public Right-of-Way Clean Up	4,875,830	-	-	-	4,875,830
Grand Total	\$14,184,015	\$8,940,439	\$9,988,432	\$9,405,193	\$42,518,079

SOURCE: City of Los Angeles Adopted Budgets

In response, LAPD provided financial and performance data related to the A Bridge Home/Interim Homeless Housing Site overtime hours and payroll data for the Homeless Coordinator’s Office and Resources Enhancement Services Enforcement Team (“RESET”); no additional information was provided for UHRC or the Proactive Engagement Staff/Support for Public Right-of-Way Clean Up. A&M also conducted onsite interviews with the Homeless Coordinator’s Office and the RESET teams.

6.2.1. LAPD OVERTIME COSTS FOR INTERIM HOMELESS HOUSING SITES

Regarding the broader activities and costs associated with homeless-related services within the LAPD, the LAPD did not routinely track financial data for homelessness-related responses during the normal course of duty. However, the LAPD provided data related to the use of overtime funds allocated to the LAPD during the City’s budget process.

Specific to the scope of this assessment, LAPD tracked actual utilization of the allocated overtime funding for homeless-related activities, which was referenced interchangeably as A Bridge Home (“ABH”) or Interim Homeless Housing Site (“IHHS”) funds within the City’s records,⁴⁹² under Code 49 in LAPD payroll data.⁴⁹³ The creation of ABH sites led to the origin of these overtime funds, which LAPD used to provide patrols, security, or other enforcements around the sites. However, the data did not actually track the hours by ABH/IHHS site, and since 2021, the overtime funds have been utilized for a broader array of services related to homelessness.⁴⁹⁴

Generally, LAPD overtime was managed and assigned through the LAPD’s Cash Overtime Allotment for Scheduling and Timekeeping (“COAST”) System. However, Code 49 was managed separately, with each Area using discretion regarding fund utilization.⁴⁹⁵ The Homeless Coordinator’s Office provided guidance to Areas on appropriate use of these funds. Per memorandums to City Council, the following criteria governed the use of these funds:⁴⁹⁶

⁴⁹² Interview with LAPD Homeless Coordinator’s Office on November 20, 2024.

⁴⁹³ LAPD Data, ABH/IHHS Overtime.

⁴⁹⁴ Interview with LAPD Homeless Coordinator’s Office on November 20, 2024.

⁴⁹⁵ Ibid.

⁴⁹⁶ LAPD Memo, Release of Remaining a Bridge Home Funds, dated September 7, 2022, p. 4 of 6.

- Funds could be used for CARE or CARE+⁴⁹⁷ operations, enforcement of Los Angeles Municipal Code sections 41.18 and 56.11, and/or to deter repopulation in areas prohibited by the aforementioned LAMC sections.
- Funds could support homeless-related vehicle impound operations and the impounding of oversized vehicles.
- Funds could be used in support of operations conducted by the Department of Recreations and Parks, the Department of Transportation, and the Department of Sanitation in response to requests from City Council Districts.
- Resources could be deployed beyond ABH Special Enforcement and Cleaning Zones (“ABH SECZ”) to address crime suppression in any geographic area where PEH was a contributing factor.
- Primary consideration was given to specialized units (including but not limited to Narcotics Enforcement Details, Vice Units, Gang Enforcement Details, Bike Details, Senior Lead Officers, Task Forces, and Footbeats). Secondary consideration was focused on a high-visibility uniformed presence within ABH SECZ areas based on data-driven research.
- Each Bureau’s deployment plan was expected to consider crime classifications involving PEH as suspects, victims, and/or witnesses, as well as homeless encampments as potential areas of occurrence.
- Detectives were expected to conduct Wanted Persons Task Forces on weekends to locate and arrest PEH identified as perpetrators of violent crimes.

These criteria formed the basic framework for the use of ABH/IHHS funds. The Homeless Coordinator’s Office explained that the use of these funds may have taken various forms, including scheduled outreach details or details responsive to current community concerns.⁴⁹⁸ Areas also utilized ABH/IHHS hours to support CARE/CARE+ operations in coordination with the Sanitation Department, and Inside Safe operations within their geographical boundaries.

6.2.2. HOMELESS COORDINATOR’S OFFICE

The LAPD Homeless Coordinator’s Office sits within LAPD Headquarters and was staffed with nine individuals⁴⁹⁹ who coordinated homeless-related response services for the four Bureaus, including coordinating the LAPD’s response to crime and quality of life issues, as well as aligning the LAPD’s activities with the Mayor and City Council’s homelessness policies and priorities.⁵⁰⁰ In addition to providing guidance to LAPD Areas on eligible uses of ABH/IHHS overtime hours, LAPD Homeless Coordinator’s Office also wrote policies and provided training relevant to Los Angeles Municipal Codes, supported Council Districts and the CAO with staffing and resources for various homelessness-related activities (including Inside Safe and vehicle dwelling operations), and coordinated any other operations that required or requested LAPD presence.⁵⁰¹

⁴⁹⁷ CARE and CARE+ operations are carried out by the Los Angeles Sanitation Department; teams conduct encampment clean-ups along with trash, litter/debris, and other health or safety hazard removals on the public rights-of-way.

⁴⁹⁸ Interview with LAPD Homeless Coordinator’s Office on November 20, 2024.

⁴⁹⁹ As of November 2024, including two vacant positions. (Interview with RESET Team on November 20, 2024).

⁵⁰⁰ City of Los Angeles, FY 2023-24 White Book, Supplement to the 2023-24 Adopted Budget, Volume II, p. 522 of 540.

⁵⁰¹ Interview with LAPD Homeless Coordinator’s Office on November 20, 2024.

6.2.3. RESOURCES ENHANCEMENT SERVICES ENFORCEMENT TEAM (RESET)

The LAPD RESET served the “Skid Row community by utilizing [o]utreach and [s]ervice [p]roviders.”⁵⁰² RESET was staffed with one lieutenant, five sergeants, and 32 full-time officers and operates out of the Central Division.⁵⁰³ RESET operated two shifts:

- Watch 2: 06:00 – 18:00 (12-hour shifts)
- Watch 5: 12:00 – 22:00 (10-hour shifts)

The first shift (Watch 2) was dedicated to Operation Healthy Streets (also known as Watershed).⁵⁰⁴ Operation Healthy Streets was similar to a CARE+ operation, wherein Skid Row blocks were cordoned off, PEH removed their belongings, and then, the designated area was cleaned. Operation Healthy Streets had permanently posted signage that indicated streets that were in a zone where the City conducted enhanced cleaning and trash removal. Operation Healthy Streets operations occurred daily within Skid Row, meaning the designated streets received recurring cleaning approximately every two weeks. The RESET attended Operation Healthy Streets operations solely to provide public safety for sanitation and other onsite staff members.

Once Operation Healthy Streets has concluded and Watch 5 was on duty, the larger RESET collaborated on Los Angeles Municipal Code 41.18 enforcement or other targeted operations.

6.2.4. UNIFIED HOMELESS RESPONSE CENTER

The Unified Homeless Response Center (“UHRC”) was a collaboration between City departments to respond in a coordinated fashion to issues related to encampments and PEH. The LAPD was budgeted for officers to be staffed at the UHRC to ensure the coordination of City efforts related to homelessness involving the LAPD.⁵⁰⁵

Per conversations with LAPD personnel, the UHRC was effectively phased out during the COVID pandemic. No specific data was provided in response to A&M’s assessment across the Lookback Period.

6.2.5. STAFF / SUPPORT FOR RIGHT-OF-WAY CLEAN UP

No specific data was provided for A&M’s assessment related to LAPD Proactive Engagement Staff/Support for Public Right-of-Way Clean Up. This omission may be due to the fact that the program was not funded beginning in FY 2021-22.

6.2 FINANCIAL OVERVIEW

6.2.1. FUNDING FOR PERSONNEL – HOMELESS COORDINATOR’S OFFICE AND RESET

A&M received payroll information for the Homeless Coordinator’s Office and RESET during the Lookback Period to quantify the amount of funds actually expended for these LAPD teams. The payroll information

⁵⁰² LAPD RESET, X Profile (https://x.com/LAPD_RESET).

⁵⁰³ Interview with RESET Team on November 20, 2024.

⁵⁰⁴ Ibid.

⁵⁰⁵ City of Los Angeles, FY 2022-23 White Book, Supplement to the 2022-23 Adopted Budget, Volume II, p. 516 of 53.

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included pay amounts for hours worked, overtime, and other various pay codes (vacation, sick leave, bereavement, training, etc.).

Salaries for personnel within the Homeless Coordinator's Office amounted to \$5.08 million throughout the Lookback Period.⁵⁰⁶

FIGURE 6.2

LAPD Payroll Expenses for the Homeless Coordinator's Office Across the Lookback Period

Fiscal Year	Number of Unique Personnel	Hours	Payroll Amount
June 2020	9	503	\$35,333
FY 2020-21	10	18,571	1,316,355
FY 2021-22	16	17,033	1,204,409
FY 2022-23	15	16,941	1,244,568
FY 2023-24	9	17,332	1,279,802
Grand Total	22 Unique Personnel	70,380	\$5,080,467

SOURCE: LAPD Data, Homeless Coordinator Payroll History

Payroll amounts for personnel within RESET amounted to \$21.2 million throughout the Lookback Period.

FIGURE 6.3

LAPD Payroll Expenses for the RESET Team Across the Lookback Period

Fiscal Year	Number of Unique Personnel	Hours	Payroll Amount
June 2020	45	7,648	\$399,537
FY 2020-21	50	94,532	5,283,443
FY 2021-22	47	94,320	5,491,440
FY 2022-23	49	87,977	5,117,156
FY 2023-24	47	79,568	4,954,226
Grand Total	67 Unique Personnel	364,044	\$21,245,803

SOURCE: LAPD Data, RESET Payroll History

FIGURE NOTE: Some personnel were not full-time during a given fiscal year.

Due to the change in staffing of the Homeless Coordinator's Office and RESET throughout the Lookback Period, A&M did not verify that the provided payroll information accurately aligned with organizational charts (i.e., the personnel assigned to each LAPD team) throughout the entirety of the Lookback Period.

⁵⁰⁶ A&M noted that the payroll information provided did not perfectly align with the current organization chart.

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A&M also observed that actual payroll was significantly greater than the budgeted amount for the Homeless Coordinator's Office and RESET. Per the LAPD, the discrepancy arises because of the manner in which LAPD structured homelessness response using existing position authorities; in addition to the specific positions budgeted within the Homeless Budget, the LAPD had individuals that work on homelessness-related activities while being tracked against the LAPD's regular departmental budget.⁵⁰⁷ This further illustrates the challenge of accurately tracking all the time and efforts dedicated by the LAPD to homelessness-related activities.

6.2.2. LAPD HOMELESS-RELATED OVERTIME FUNDS

Figure 6.4 below summarizes overtime hours, overtime payroll amounts, and the number of officers that charged time to the ABH/THHS overtime account (Code 49) during the Lookback Period based on an analysis of payroll data provided by the LAPD.

FIGURE 6.4

Summary of Financial Metrics Related to LAPD ABH/IHHS Overtime Hours Incurred Across the Lookback Period

	June 2020	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Grand Total
Number of Officers	163	-	1,878	1,563	1,414	2,999 Unique Personnel
Hours Incurred	2,392	-	87,864	78,354	88,347	256,956
Overtime Amount (\$)	\$184,599	-	\$7,322,514	\$7,057,311	\$8,481,768	\$23,046,192
Average Hourly Rate (\$)	\$77	-	\$83	\$90	\$96	\$90

SOURCE: LAPD Data, ABH/IHHS Overtime (Code 49)

FIGURE NOTE: A&M included the month of June 2020 to encompass the entire Lookback Period (noting that fiscal year 2020-21 began on July 1, 2020.)

Throughout the Lookback Period, LAPD incurred \$23 million in overtime⁵⁰⁸ for activities related to homelessness. (To be clear, as described, these hours are limited to specifically allocated overtime funding and do not include any hours spent by the LAPD during the normal course of duty, or general overtime funds; therefore, the hours in Figure 6.4 only constitute a portion of LAPD hours spent on homelessness-related matters.) LAPD confirmed there was no utilization of Code 49 in the overtime system in FY 2020-21 due to a budget reduction during the fiscal year.⁵⁰⁹ Also, the Homeless Coordinator's Office tracked the subset of Code 49 overtime used for Inside Safe operations and submitted the hours for reimbursement from the CAO.⁵¹⁰

For LAPD personnel that received overtime (excluding the one month of June 2020), the annual amount of pay ranged from \$78 to \$90,477, with average annual overtime per officer of \$4,709.

⁵⁰⁷ Email from Office of the CAO, dated January 23, 2025.

⁵⁰⁸ Officers charging time to Code 49 received hourly pay of 1.5 times the normal rate, which is a standard practice that aligns with the federal Fair Labor Standards Act.

⁵⁰⁹ Email from LAPD, dated October 23, 2024.

⁵¹⁰ Inside Safe specific hours are included in the financial data summarized.

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A&M also reviewed the methodology for allocating overtime hours to Areas within the LAPD. Beginning in FY 2022-23, the LAPD reported on the allocation method and the utilization of overtime funding through memos to City Council. The City’s approved budget allocated overtime funding of \$9 million⁵¹¹ and \$8.36 million⁵¹² for FY 2022-23 and FY 2023-24, respectively. The LAPD used an average hourly overtime cost per officer to translate the funding into hours. Each Council District was then allocated a “base” allotment of overtime hours with an additional 1,000 hours for each A Bridge Home location within the Council District. Figure 6.5 below demonstrates the hours allocated to each Council District for FY 2022-23 and FY 2023-24.⁵¹³

FIGURE 6.5

Summary of Initial Overtime Hour Allotment by Council District as of
FY 2022-23 and FY 2023-24

Council District	No. of ABH Sites	FY 2022-23				FY 2023-24		
		Base Hours	ABH Hours	Shelter Intervention	Total Hours	Base Hours	ABH Hours	Total Hours
1	2	3,996	2,000	724	6,720	4,090	2,000	6,090
2	2	3,996	2,000	724	6,720	4,090	2,000	6,090
3	1	3,996	1,000	724	5,720	4,090	1,000	5,090
4	3	3,996	3,000	724	7,720	4,090	3,000	7,090
5	1	3,996	1,000	724	5,720	4,090	1,000	5,090
6	1	3,996	1,000	724	5,720	4,090	1,000	5,090
7	1	3,996	1,000	724	5,720	4,090	1,000	5,090
8	1	3,996	1,000	724	5,720	4,090	1,000	5,090
9	2	3,996	2,000	724	6,720	4,090	2,000	6,090
10	3	3,996	3,000	724	7,720	4,090	3,000	7,090
11	1	3,996	1,000	724	5,720	4,090	1,000	5,090
12	0	3,996	-	724	4,720	4,090	-	4,090
13	3	3,996	3,000	724	7,720	4,090	3,000	7,090
14	3	3,996	3,000	724	7,720	4,090	3,000	7,090
15	3	3,996	3,000	724	7,720	4,090	3,000	7,090
Total Hours	27	59,940	27,000	10,860	97,800	61,350	27,000	88,350
Budgeted Funds (\$)					\$9,000,000	\$8,360,000		

SOURCES: LAPD Memo, Interim Homeless Housing Funds First Quarter (July 2, 2023, to October 7, 2023) Update (Fiscal Year 2023/2024), dated January 31, 2024; LAPD Memo, Release of Remaining A Bridge Home Funds, dated September 7, 2022

⁵¹¹ FY 2022-23 White Book, Supplement to the 2022-23 Adopted Budget, Volume II, pp. 995 and 1004 (Unappropriated Balance – ABH Overtime, \$4 million; Unappropriated Balance – Shelter Interventions not covered by ABH, \$1 million; LAPD Budget – Sworn Overtime ABH, \$4 million).

⁵¹² FY 2023-24 White Book, Supplement to the 2023-24 Adopted Budget, Volume I, p. 472 (Unappropriated Balance – IHHS Overtime, \$6.27 million; LAPD Budget, Overtime for IHHS, \$2.09 million).

⁵¹³ Specific allocation methodologies were not provided prior to FY 2022-23.

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While hours are initially allocated by Council Districts, LAPD Areas within each Council District were ultimately responsible for deploying the budgeted hours/funds. The LAPD distributed the hours to each Area in a similar manner. Each Area received 1,000 hours per IHHS location within the Area plus a portion of each Council District's base hours allotment (calculated from each Area's geographic percentage within the Council District).⁵¹⁴ This allocation becomes increasingly convoluted, as the 21 LAPD Areas can overlap across the 15 Council Districts.

Figure 6.6 below exhibits the allocation of funds by Area for FY 2023-24.

FIGURE 6.6

Summary of Overtime Hour Allotment by LAPD Bureau and Area as of FY 2023-24

Bureau	LAPD Area	Interim Housing Sites	Allocated Hours from Council Districts	Interim Homeless Housing Site Allotment	Total
Central Bureau	Central	3	1,040	3,000	4,040
	Rampart	2	1,431	2,000	3,431
	Hollenbeck	-	2,821	-	2,821
	Northeast	2	5,520	2,000	7,520
	Newton	2	2,699	2,000	4,699
	Subtotal – Central Bureau	9	13,511	9,000	22,511
South Bureau	Southwest	-	3,351	-	3,351
	Harbor	2	3,435	2,000	5,435
	77th	2	3,025	2,000	5,025
	Southeast	1	1,843	1,000	2,843
	Subtotal – South Bureau	5	11,654	5,000	16,654
Valley Bureau	Van Nuys	2	2,132	2,000	4,132
	West Valley	-	3,720	-	3,720
	North Hollywood	1	3,517	1,000	4,517
	Foothill	-	4,334	-	4,334
	Devonshire	-	3,475	-	3,475
	Mission	1	2,494	1,000	3,494
	Topanga	1	3,353	1,000	4,353
	Subtotal – Valley Bureau	5	23,025	5,000	28,025
West Bureau	Hollywood	4	1,758	4,000	5,758
	Wilshire	-	2,248	-	2,248
	West Los Angeles	2	5,765	2,000	7,765
	Pacific	1	1,758	1,000	2,758
	Olympic	1	1,634	1,000	2,634
	Subtotal – West Bureau	8	13,163	8,000	21,163
Grand Total of LAPD Areas		27	61,353	27,000	88,353

⁵¹⁴ LAPD Memo, Interim Homeless Housing Funds First Quarter (July 2, 2023, to October 7, 2023) Update (Fiscal Year 2023/2024), dated January 31, 2024, p. 3.

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SOURCES: LAPD Memo, LAPD Memo, Interim Homeless Housing Funds Fourth Quarter (April 7, 2024, to June 30, 2024) Update (Fiscal Year 2023/2024),

Considering that utilization of ABH/IHHS overtime hours was not confined to only ABH/IHHS sites, it is unclear why the City continued to include the number of ABH sites in the hours allocation methodology. Additionally, the base equitable allocation to each Council District did not appear to consider other potentially relevant factors, such as crime rates or the geographic distribution of PEH throughout the City. Overall, it is unclear whether the overtime allocation methodology in place during the Lookback Period led to optimal outcomes for the geographic areas served.

Figure 6.7 below summarizes actual IHHS overtime by Bureau (excluding the one month of information for June 2020).

FIGURE 6.7

Summary of Overtime Hours Incurred by Police Bureau as FY 2021-22, FY 2022-23, and FY 2023-24

Police Bureau	Hours			Amount			Grand Total	
	FY 2021-22	FY 2022-23	FY 2023-24	FY 2021-22	FY 2022-23	FY 2023-24	Hours	Amount
Central Bureau	21,436	23,431	22,441	\$1,854,196	\$2,075,880	\$2,055,007	67,307	\$5,985,083
South Bureau	20,855	14,884	16,884	1,729,731	1,359,754	1,678,875	52,622	4,768,360
Valley Bureau	18,248	23,560	28,133	1,523,680	2,188,516	2,778,393	69,942	6,490,589
West Bureau	27,019	16,471	20,752	2,184,259	1,431,931	1,955,612	64,242	5,571,802
Other	306	8	138	30,647	1,231	13,881	452	45,759
Grand Total	87,864	78,354	88,347	\$7,322,514	\$7,057,311	\$8,481,768	254,564	\$22,861,593
Budgeted Amounts	N/A	97,800	88,350	\$8,000,000	\$9,000,000	\$8,360,000	N/A	N/A

SOURCES: LAPD Data, ABH/IHHS Overtime (Code 49); City of Los Angeles Adopted Budgets

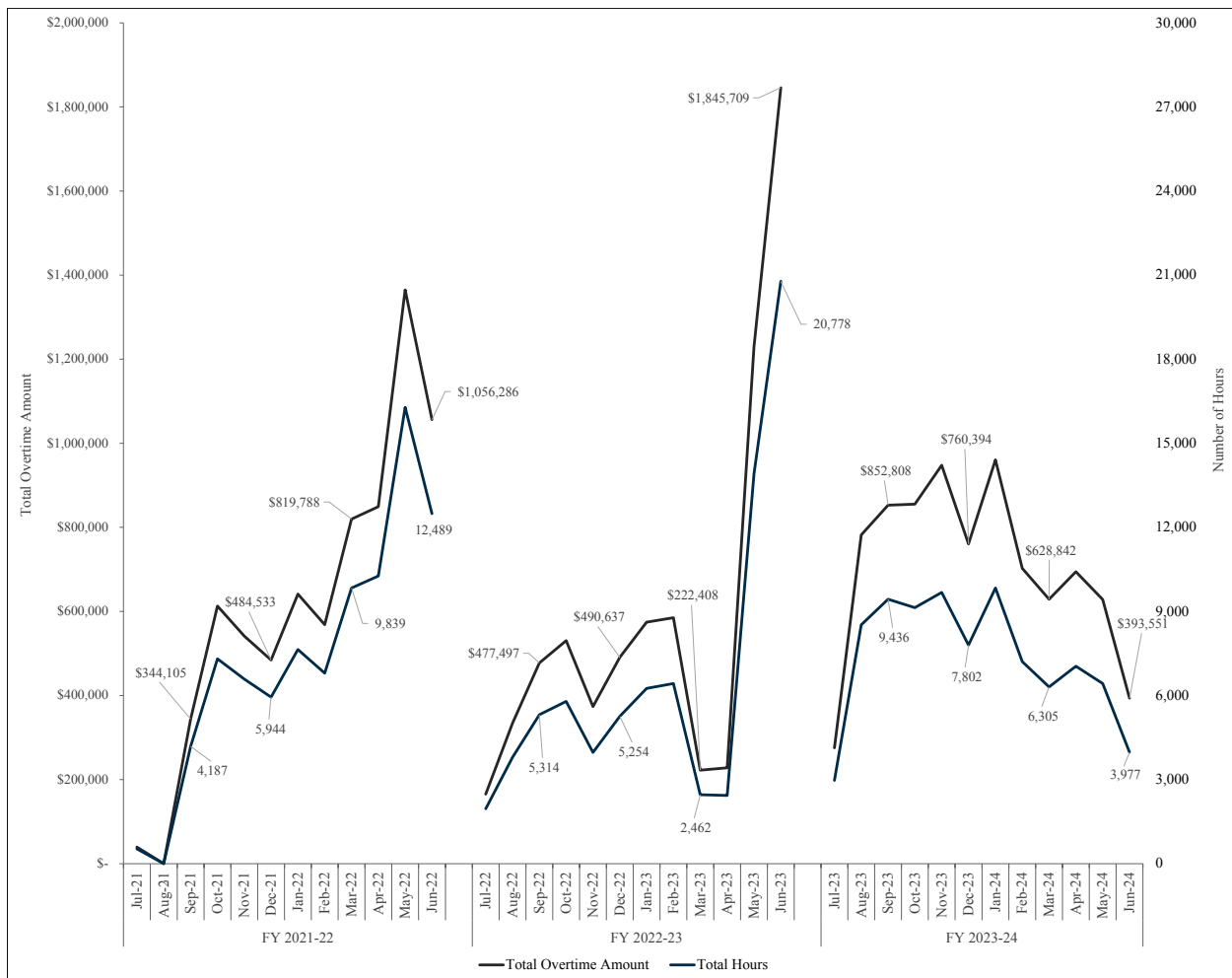
FIGURE NOTE: Central Bureau includes Central, Hollenbeck, Newton, Northeast, Rampart. South Bureau includes 77th, Harbor, Southeast, Southwest. Valley Bureau includes Devonshire, Foothill, Mission, North Hollywood, Topanga, Van Nuys, West Valley. West Bureau includes Hollywood, Olympic, Pacific, West Los Angeles, Wilshire.

As illustrated by Figure 6.7 above, actual ABH/IHHS hour utilization stayed fairly consistent between FY 2021-22 (87,864) and FY 2023-24 (88,347), with an approximate 11% decrease in FY 2022-23 (78,354). During FY 2022-23, a decrease in hour utilization coincided with an increase in budgeted hours, with approximately 80% of allocated hours being used during this fiscal year. Based on the data provided, A&M was unable to ascertain the driver behind the underutilized hours, although Figure 6.8 below illustrates a lower incidence of overtime hours in the earlier months of the fiscal year, with more than 40% of hours used in May and June 2023. The trend of increased hour usage congregated in the latter months of the fiscal year was observed for all Bureaus/Areas for both FY 2021-22 and 2022-23. These trends raise questions about whether the LAPD deployed ABH/IHHS overtime hours in a manner that was responsive to and addressed the specific needs of the communities served.

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FIGURE 6.8

LAPD Overtime Hours and Overtime Payroll Amounts Incurred by Month, FY 2021-22, FY 2022-23, and FY 2023-24



SOURCE: LAPD Data, ABH/IHHS Overtime (Code 49)

6.3 PERFORMANCE OVERVIEW

6.3.1 ABH/IHHS OVERTIME METRICS

In a notice dated February 20, 2020 that LAPD produced in response to A&M’s data request of policies and procedures specific to homelessness services and engagement with PEH, the Office of Operations reminded personnel about LAPD’s role in addressing homelessness:

“As the state of homelessness is not a crime in itself, the Department does not have the means to be the point agency in addressing this humanitarian crisis. Rather, the Department is committed to supporting the City-led initiative to eliminate homelessness and fully embraces the ‘Services-Led’ approach to contacting persons who are experiencing homelessness. As such, officers should view enforcement actions for quality-of-life offenses associated with homelessness as a last resort. Instead, officers should obtain voluntary compliance to cease the public offense or work in partnership with outside entities to assist homeless individuals with housing

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placement. Additionally, all personnel are reminded that the Department strictly prohibits biased policing... Therefore, officers shall not use homeless circumstance as a basis for conducting any law enforcement activity, including stops and detentions”⁵¹⁵

While the notice recognized that homelessness, on its own, was not a criminal offense, the LAPD devoted overtime hours to support homelessness-related endeavors, ranging from CARE/CARE+ operations to the Inside Safe Program’s operations.

According to a memorandum from the LAPD dated September 7, 2022, the department developed a “results-based tracking matrix” to monitor the productivity of the operations funded by ABH/IHHS overtime hours.⁵¹⁶ This matrix was specifically designed to exhibit the utilization of ABH/IHHS overtime hours.⁵¹⁷ Officers completed the matrix during or after their details, or operations, submitted it to their respective Area commands, and the Homeless Coordinator Office subsequently updated and maintained the data.⁵¹⁸

Figure 6.9 below outlines the various data metrics collected by officers through this matrix, offering insight into how the LAPD tracked and evaluated the deployment of ABH/IHHS-funded overtime. Performance data, specifically the usage of ABH/IHHS overtime hours, was not consistently reported across the two fiscal years, FY 2022-23 and FY 2023-24, creating challenges in conducting a comprehensive analysis. Consequently, drawing definitive conclusions from the available information was limited.

⁵¹⁵ LAPD Memo, Department Role in City-Led Initiative to Eliminate Homelessness; Biased Policing Policy, dated February 20, 2020 .

⁵¹⁶ LAPD Memo, Release of Remaining A Bridge Home Funds, dated September 7, 2022, pp. 5-6 of 6.

⁵¹⁷ Ibid.

⁵¹⁸ LAPD Memo, Release of Remaining Interim Homeless Housing Funds, dated July 27, 2023, p. 4 of 6.

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FIGURE 6.9

Metrics for ABH/IHHS Overtime Hours, FY 2022-23 and FY 2023-24

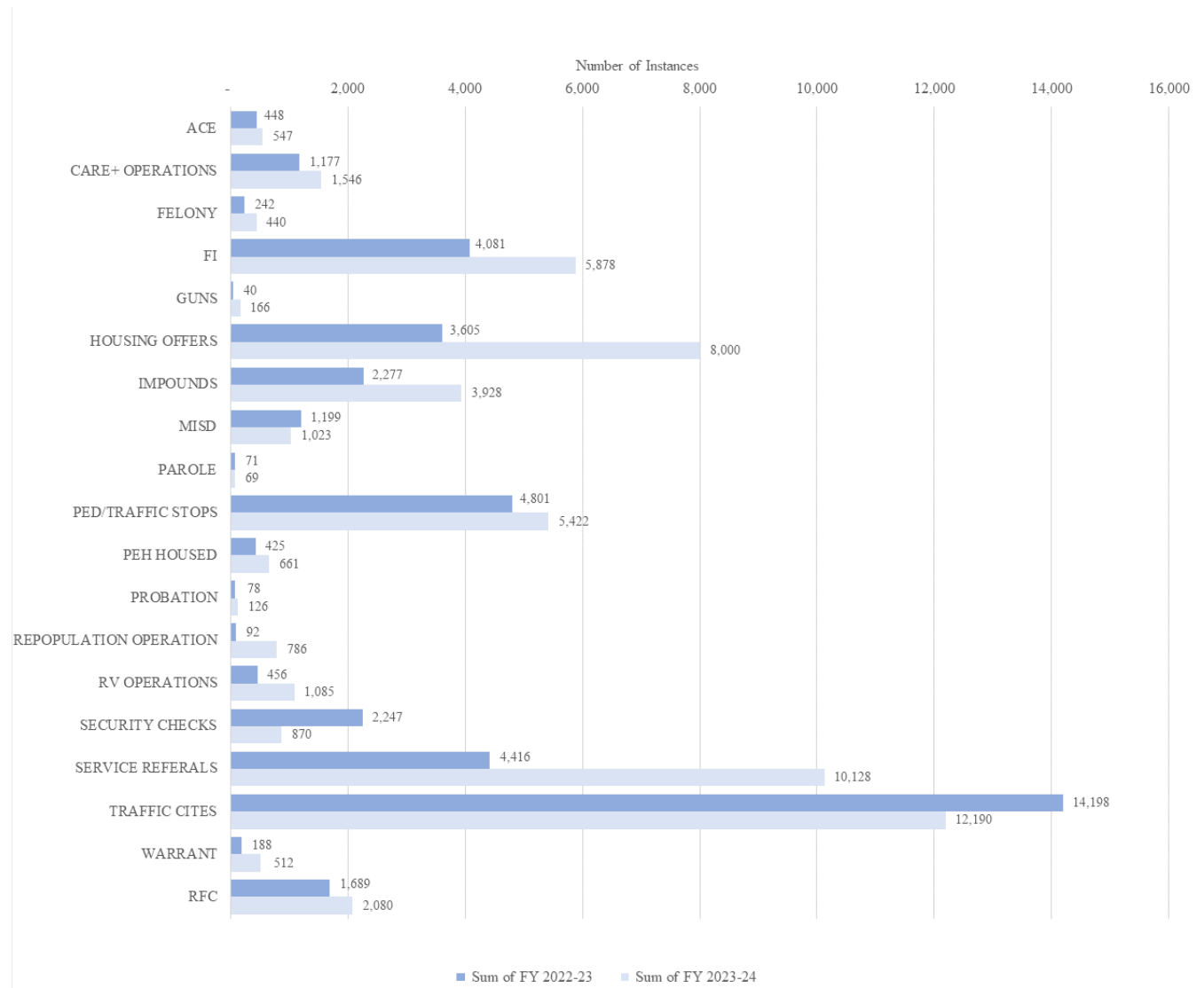
Metric	Description
ACE	Number of Administrative Citation Enforcement (ACE) citations issued by officers.
CARE+ OPERATIONS	Number of Comprehensive Cleaning and Rapid Engagement (CARE/CARE+) operations supported.
FELONY	Number of felony arrests that were made by the officers.
FI	Number of Field Interview (FI) cards completed.
GUNS	Number of guns recovered - found or related to an arrest.
HOUSING OFFERS	Number of subjects who expressed a desire for housing and the officer directed them to the proper resources or completed the referral themselves.
IMPOUNDS	Number of vehicles that were impounded or towed by the officers.
MISD	Number of misdemeanor arrests made by the officers.
PAROLE	Number of subjects who were identified by officers as being on parole. When completing an FI card, this information would be obtained by conducting a want-and-warrant check.
PED/TRAFFIC STOPS	Number of vehicle and pedestrian stops conducted.
PEH HOUSED	Number of instances where the officers directly assisted in housing a PEH or supported a housing operation with other City partners.
PROBATION	Number of subjects who were identified by officers as being on probation. When completing an FI card, this information would be obtained by conducting a want-and-warrant check.
REPOPULATION OPERATION	Number of repopulation prevention operations that the officers supported. This involves the patrol of an area where there is no sitting, sleeping, lying, or storing of property that had a recent CARE+ operation.
RFC	Number of all Release from Custody (RFC) issued by the officers.
RV OPERATIONS	Number of vehicle dwelling operations that the officers supported.
SECURITY CHECKS	Number of time officers checked in with the IHHS sites.
SERVICE REFERRALS	Number of contacts/subjects that the officers referred to services during these details (e.g., Los Angeles Homeless Outreach Portal ["LA-HOP"]).
TRAFFIC CITES	Number of parking and traffic citations issued.
VERBAL WARNING	Number of verbal warnings made by the officers
WARRANT	Number of subjects who were identified by officers as having a warrant. When completing an FI card, this information would be obtained by conducting a want-and-warrant check.

SOURCE: LAPD Data, Code 49 Metrics

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FIGURE 6.10

Metrics for ABH/IHHS Overtime Hours, FY 2022-23 and FY 2023-24



SOURCE: LAPD Data, ABH/IHHS Overtime Metrics

From Figure 6.10, in FY 2023-24, the number of “Traffic Cites” (number of parking and traffic citations) was the highest metric recorded, followed by “Service Referrals” (number of contacts that the officers referred to services [e.g., outreach services through the Los Angeles Homeless Outreach Portal]), and “Housing Offers” (number of subjects who expressed desire for housing and the officer assisted with a referral).

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Certain performance metrics for ABH/IHHS overtime hours, such as “Traffic Cites” or “PED/Traffic Stops,” fail to provide a clear link to homelessness-related efforts. Additionally, metrics that were explicitly connected to assisting PEH (e.g., Service Referrals and Housing Offers), lacked the necessary details to track successful referrals or outcomes, limiting the ability to fully assess LAPD’s impact on referral processes.

Based on filings and documentation provided by LAPD, there was no clear evidence indicating that the metrics reported in the “results-based tracking matrix” directly informed or guided budget decisions, staffing adjustments, or other resource-distribution measures. Therefore, in the absence of explicit documentation linking these metrics to resource allocation, it remains unclear whether these metrics effectively inform or justify the allocation of overtime hours or capture the impact of the initiatives on the unsheltered PEH or the communities in which they reside. This lack of clarity complicates the financial and performance assessment regarding the contribution of overtime expenditures to, and the measurement of, the intended goals for supporting City-led homelessness initiatives.

Further, without clear documentation and evidence on the specific LAPD operations related to the ABH/IHHS overtime funds, it was challenging to determine whether the respective actions taken aligned with established policies and procedures for engagement with PEH. This lack of operational detail complicated endeavors to correlate officers’ activities with policies, assess consistency across different contexts, or measure enforcement outcomes. As a result, the broader effectiveness of ABH/IHHS overtime expenditures could not be fully evaluated, and any conclusions about adherence to standards for PEH-focused initiatives remained inconclusive.

Inside Safe

LAPD separately reported efforts related to ABH/IHHS overtime hours used for the Inside Safe Program’s encampment operations. Figure 6.11 exhibits, on a quarterly basis, the total hours used, the number of encampment operations that necessitated overtime, and the total number of encampment operations, according to LAPD’s memos. However, the data reported in the memos was unable to be reconciled to other data reports produced. Based on the LAPD memos, it appears that LAPD did not consistently rely on overtime hours for the encampment operations under the Inside Safe Program. LAPD’s involvement may have been performed during regular working hours, meaning not every operation required additional time beyond standard shifts. As a result, based on the memos produced by LAPD, there was no definitive pattern indicating uniform reliance on overtime; therefore, more complete and accurate data is needed to fully assess resource allocation and its associated costs.

FIGURE 6.11

Usage of ABH/IHHS Hours for the Inside Safe Program for FY 2023-24

FY 2023-24	Total Hours Used	Encampment Operations IHHS Funds	Total Encampment Operations	Average ABH/IHHS Hours Per Operation
Q1	229	6	6	38.1
Q2	183	4	4	45.6
Q3	238	9	13	26.4
Q4	154	3	9	51.3

SOURCES: LAPD Memo, Interim Homeless Housing Funds First Quarter (July 2, 2023, to October 7, 2023) Update (Fiscal Year 2023/2024), dated January 31, 2024, LAPD Memo, Interim Homeless Housing Funds Second Quarter (October 8, 2023, to

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December 30, 2023) Update (Fiscal Year 2023/2024), dated January 31, 2024, LAPD Memo, Interim Homeless Housing Funds Third Quarter (December 31, 2023, to April 6, 2024) Update (Fiscal Year 2023/2024), dated April 26, 2024, LAPD Memo, Interim Homeless Housing Funds Fourth Quarter (April 7, 2024, to June 30, 2024) Update (Fiscal Year 2023/2024), dated July 16, 2024

FIGURE NOTE: For an encampment operation dated June 25, 2024, the respective LAPD Memo reported that ABH/IHHS funds were used; however, the hours were not reported in the memo. Therefore, Figure 6.11 did not include that operation.

6.3.2. ARREST DATA

A&M requested data from LAPD concerning homelessness-related incident and interaction data as well as historical arrest and citation data, specifically pertaining to LAMC 41.18, 56.11, CARE/CARE+, and any other City-funded sites/endeavors under the City Programs. In response, LAPD referred A&M to publicly available data, which did not clearly distinguish homelessness-related cases. Ultimately, no additional data was provided that provided supplemental insight into LAPD's involvement with PEH across the Lookback Period. Consequently, A&M focused on two specific municipal codes, LAMC 41.18 and LAMC 56.11, within publicly accessible arrest data in an effort to approximate PEH-related activity. LAMC 41.18 restricts sitting, lying, or sleeping in certain public spaces, while LAMC 56.11 concerns the storage of personal property in public areas.⁵¹⁹ By isolating these codes, A&M attempted to gain insight into enforcement patterns, although the lack of explicit indicators for individuals' housing status presented ongoing challenges in interpreting the data.

Figure 6.12 exhibits publicly available arrest data, categorized by fiscal year. This data identifies the number of arrests that appear to be made under LAMC Section 41.18 and LAMC Section 56.11; the ordinances potentially relevant to PEH due to their focus on sitting, lying, sleeping, or storing personal property in public spaces. However, because housing status was not explicitly identified in the data, the data may not be complete or accurate. This data serves as broad indication of enforcement activity but cannot conclusively determine whether the arrests involved PEH.

In a memo from LAHSA dated November 28, 2023, LAHSA reported in response to the effectiveness of LAMC 41.18 interventions that:

The overall data quality surrounding reporting on 41.18 is low when compared to other encampment resolution initiatives ... as 41.18 does not have any funded components for services or interim housing. There was also no formal request in the ordinance language or accompanying street engagement strategy that requested City Departments or LAHSA to develop universal tracking standards.⁵²⁰

Given the limited information and lack of funded components for services or housing under the enforcement of LAMC Section 41.18, the available data remains inconclusive.

⁵¹⁹ Los Angeles Municipal Code, Section 41.18 and Section 56.11.

⁵²⁰ LAHSA Memo, Los Angeles Municipal Code Section 41.18 Effectiveness Report (21-0329-S4), dated November 28, 2023.

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FIGURE 6.12

Summary of Publicly Available Arrest Data, LAMC Section 41.18 and LAMC Section 56.11

Fiscal Year	LAMC 41.18	LAMC 56.11	Other	Share of 41.18 and 56.11 Arrests	Grand Total
FY 2020-21	334	49	64,585	0.6%	64,968
FY 2021-22	580	40	62,456	1.0%	63,076
FY 2022-23	1,887	49	62,695	3.0%	64,631
FY 2023-24	1,132	73	63,917	1.9%	65,122
Grand Total	3,933	211	253,653	1.6%	257,797

FIGURE NOTE: The arrest data exhibited above includes “RFC” and “Booking.” LAPD explained “RFC” [Release from Custody] is categorized as an arrest, but the violator is not booked and released at the scene with the citation.

KEY TAKEAWAYS OF SECTION 6.3

- Across the Lookback Period, the LAPD incurred over \$49 million in expenses related to ABH/IHHS overtime and personnel assigned to the Homeless Coordinator’s Office and RESET.
- The initial methodology for allocating homelessness-related overtime hours includes equitable hour allocations across all 15 Council Districts, plus additional allotments for ABH sites located within each Council District.
- The LAPD did not deploy ABH/IHHS hours consistently throughout each fiscal year. The data demonstrated that LAPD utilization of ABH/IHHS hours peaked near the end of the fiscal year in FY2021-2022 and FY2022-23, prompting questions about whether the LAPD deployed ABH/IHHS overtime hours in a manner that was responsive to the specific needs of the communities served.
- The LAPD’s framework for tracking the productivity of ABH/IHHS hours lacked clear and measurable outcomes related to homelessness initiatives that, if instituted, could assist in resource allocation and effectiveness of public safety services within City-led initiatives.
- LAPD was unable to provide arrest or interaction data specific to people experiencing homelessness, limiting A&M’s ability to evaluate the extent and nature of enforcement actions against unsheltered individuals. This gap highlights the need for enhanced tracking and reporting mechanisms to inform future policy and resource decisions.

Appendix A: City Funding (Appropriations, Commitments, or Spending) Related to the City Programs Across the Lookback Period

Expense/Appropriation/Commitment	Roadmap	Alliance	Inside Safe	Total	Figure Reference(s)
PSH – Committed Funds	\$105,798,548	\$1,133,564,750	\$N/A	\$1,239,363,298	3.11; 3.12
Interim Housing – Capital Appropriations	301,760,073	N/A	N/A	301,760,073	3.2
PRK and Other Lease Expenses	143,188,427	N/A	N/A	143,188,427	3.6
Inside Safe – Hotel/Motel Nightly Rental Expenses	N/A	N/A	79,163,286	79,163,286	3.14
Inside Safe – Motel Acquisition Expenses	N/A	N/A	41,898,370	41,898,370	3.14
Inside Safe – City Departments Expenses	N/A	N/A	8,723,725	8,723,725	3.14
Subtotal – Non-LAHTA	\$550,747,048	\$1,133,564,750	\$129,785,381	\$1,814,097,179	
LAHTA – Internal Expenses	14,529,777	N/A	5,704,648	20,234,425	3.7; 3.17
LAHTA – Vendor Expenses	12,567,708	N/A	2,755,989	15,323,697	3.7; 3.17
LAHTA – Service Provider Expenses	455,317,366	12,688,774	50,445,684	518,451,824	3.8; 3.13; 3.17
Subtotal – LAHTA Expenses	482,414,851	12,688,774	58,906,321	554,009,946	
Grand Total	\$1,033,161,899	\$1,146,253,524	\$188,691,702	\$2,368,107,125	

FIGURE NOTE: Funding for time-limited subsidies is included within the “LAHTA – Service Provider Expenses” category.

Appendix B: A&M Onsite Fieldwork Summary (City-Funded Services)

Sampled Site	LAHSA Subprogram	Service Provider	Titles of Interviewed Stakeholders
Roadmap #1	A Bridge Home	People Assisting the Homeless	Associate Director, Case Manager
Roadmap #2	A Bridge Home	LA / US Veterans Initiative	Resident Assistant, Person Experiencing Homelessness
Roadmap #3	Roadmap Interim Housing	Weingart Center Association	Associate Director, Case Manager
Roadmap #4	Roadmap Interim Housing	Home at Last	Program Manager, Case Manager
Roadmap #5	Roadmap Interim Housing	Volunteers of America	Not Specified
Roadmap #6	Safe Parking	Safe Parking LA	Executive Director, Lead Case Manager, Program Manager for Case Management Team, Director of Programs
Roadmap #7	Safe Sleep	Urban Alchemy, Inc.	Case Manager
Roadmap #8	Tiny Home Village	Hope the Mission	Program Manager, Case Manager, Lead Clinical Director, SUD Counselor
Roadmap #9	Tiny Home Village	Hope the Mission	Program Manager, Lead Case Manager
Roadmap #10	Project Homekey	National Health Foundation	N/A - Site Under Construction
Roadmap #11	Project Homekey	LA Family Housing Corporation	N/A - Site Under Construction
Alliance #1	Roadmap Interim Housing	People Assisting the Homeless	Case Manager
Inside Safe #1	Inside Safe	Weingart Center Association	N/A - Site Closed
Inside Safe #2	Inside Safe	First to Serve	House Managers/Resident Supervisor, Resident Aides, Case Manager, Person Experiencing Homelessness
Inside Safe #3	Inside Safe	Special Services for Groups/HOPICS	Associate Director of Street Based Engagement, Security, Person Experiencing Homelessness
Outreach	Homeless Engagement Team	LAHSA	LAHSA Deputy Chief Sr. Advisor, CEO, LAHSA Access & Engagement Manager, LAHSA Roadmap HET members
LAPD	N/A	N/A	RESET (Lieutenant); HCO (Officers)

Appendix C: A&M Onsite Fieldwork Summary (County-Funded Services)

Sampled Program Contract	County Subprogram	Service Provider	Titles of People Spoke With
County Site #1	Permanent Supportive Housing	The People Concern	Chief Program Manager
County Site #2	Permanent Supportive Housing	LINC Housing Corp	Assistant VP of Resident Services
County Site #3	Permanent Supportive Housing	American Family Housing	Associate VP of Programs
County Site #4	Permanent Supportive Housing	Penny Lane Centers	Director of Housing Services, Director of Housing, Program Manager
County Site #5	Permanent Supportive Housing	Special Service for Groups	Associate Director, Program Manager
County Site #6	Permanent Supportive Housing	Weingart Center	COO, CEO, Director of Housing
County Site #7	Interim Housing - Stabilization	SRO Housing Corp	CEO, Director, Program Manager
County Site #8	Interim Housing - Stabilization	Home at Last	Clinical Program Director, Program Director,
County Site #9	Interim Housing - Stabilization	Weingart Center	COO, CEO, Director of Housing, Associate Director of Programs
County Site #10	Interim Housing – Recuperative Care	JWCH Institute	Director, Assistant Director

Appendix D: Glossary

A&M	Alvarez & Marsal
ABH	A Bridge Home
ACE	Administrative Citation Enforcement
Alliance Program	Alliance Settlement Program
CalFresh	California’s Supplemental Nutrition Assistance Program (SNAP)
CalOMS	California Outcomes Measurement System
CAO	City Administrative Officer
CARE/CARE+	Comprehensive Cleaning and Rapid Engagement
CBEST	Countywide Benefits Entitlement Services Team
CD	Council District
CDBG-CV	Community Development Block Grant – CARES Act
CES	Coordinated Entry System
CESTRR	CES Triage Tool Research & Refinement
CHAMP	Comprehensive Health Accompaniment Management Platform
City	The City of Los Angeles
City Programs	Roadmap Program, Alliance Program, and Inside Safe Program
COAST	LAPD’s Cash Overtime Allotment for Scheduling and Timekeeping System
CoC	Continuum of Care
County	The County of Los Angeles
Court	Judge David O. Carter
CR	Cash Request
CRF	Coronavirus Relief Fund
CTCAC	California Tax Credit Allocation Committee
DHS	Los Angeles County Department of Health Services
DMH	Los Angeles County Department of Mental Health
DPH	Los Angeles County Department of Public Health
DPH-SAPC	Los Angeles County Department of Public Health – Substance Abuse Prevention and Control
DPSS	Los Angeles County Department of Public Social Services
EGMS	Enterprise Grants Management System
ERP	Emergency Response Program
ESG-CV	Emergency Solutions Grants – CARES Act
FEMA	Federal Emergency Management Agency

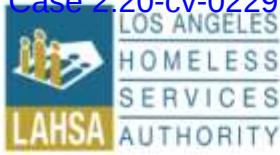
Appendix D

FI	Field Interview
FIT	Field Intervention Team
FY	Fiscal Year
GCP-AHS	General City Purposes – Additional Homeless Services
GMC	Grants Management and Compliance
GR	General Relief
GSD	General Services Department
HACLA	Housing Authority of the City of Los Angeles
HCD	Department of Housing and Community Development
HCID	Los Angeles Housing and Community Investment Department
HEA	Homeless Emergency Account
HEAP	Homeless Emergency Aid Program
HET	Homeless Engagement Team
HHAP	Homeless Housing, Assistance and Prevention
HMIS	Homeless Management Information System
HN	Housing Navigation
HUD	U.S. Department of Housing and Urban Development
IBHIS	Integrated Behavioral Health Information System
ICMS	Intensive Case Management Services
IH	Interim Housing
IHD	LAHSA’s Interim Housing Department
IHHS	Interim Homeless Housing Site
JPAA	Joint Powers Authority Agreement
KPI	Key Performance Indicator
LA CoC	Los Angeles Continuum of Care
LADOT	Los Angeles Department of Transportation
LAHD	Los Angeles Housing Department
LAHSA	Los Angeles Homeless Services Authority
LAMC	Los Angeles Municipal Code
LAPD	Los Angeles Police Department
LASAN	Los Angeles Sanitation
Lookback Period	June 1, 2020, Through June 30, 2024
Medi-Cal	California’s Medicaid Program
MISD	Misdemeanor

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MOU	Memorandum of Understanding
PEH	People Experiencing Homelessness
PIT	Point-In-Time
POCs	Points of Contracts
PSH	Permanent Supportive Housing
RESET	Resources Enhancement Services Enforcement Team
RFC	Release from Custody
RMS	Resource Management System
Roadmap HET	Roadmap Homeless Engagement Teams
Roadmap Program	Roadmap Program – Freeway Agreement
SAPC	Substance Abuse Prevention and Control
SECZ	Special Enforcement Cleaning Zones
SPA	Service Planning Area
SRS	Scope of Required Services
SUD	Substance Use Disorder
TLS	Time-Limited Subsidy
UHRC	Unified Homeless Response Center
USC	University of Southern California
VI-SPDAT	Vulnerability Index: Service Prioritization Decision Assistance Tool

Exhibit H



707 Wilshire Blvd. 10th Floor
Los Angeles, CA 90017
213 683.3333
www.lahsa.org

March 24, 2025

The Honorable David O. Carter
United States District Court
Central District of California
411 West Fourth Street, Courtroom 10A
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Via Email

Re: Response to Second Amended Draft of the Alvarez & Marsal Assessment of City of Los Angeles Homelessness Programs, Case No. 2:20-cv-02291-DOC-KES, Document No. 870

Dear Judge Carter,

On behalf of the Los Angeles Homeless Services Authority (LAHSA), we appreciate the opportunity to respond to the Alvarez & Marsal (A&M) Independent Assessment of City-Funded Homelessness Assistance Programs, as outlined in Docket Number 870, filed on March 6, 2025. We recognize and support the Court's commitment to transparency, accountability, and operational efficiency in addressing homelessness and share these priorities.

Since 2023, LAHSA has implemented targeted reforms to enhance financial oversight, data management, and service provider compliance and performance.

These reforms directly address many of the issues raised in the A&M report, which is based on financial and performance data from the Roadmap – Freeway Agreement, Alliance Program, and Inside Safe Program during the Lookback Period (June 1, 2020 – June 30, 2024). Given LAHSA's implementation began in 2023, the full impact of these measures is not yet reflected in A&M's analysis.

Below are LAHSA's responses to A&M's key findings and the reforms undertaken to address their recommendations:

I. Poor Data Quality and Integration

A&M's report identified multiple siloed referral processes, disparate data systems, and inconsistent prioritization and matching criteria, all of which hinder the establishment of a unified Coordinated Entry System (CES). Additionally, the report highlights fragmentation in data systems between LAHSA, the City, and the County, impacting financial and service coordination.

LAHSA agrees that there is a need for more coordinated processes across the system and a centralized database and has continually advocated for its implementation. This issue extends beyond LAHSA's sole control. However, LAHSA has taken significant steps to enhance coordination and data sharing with the City and County. Although the establishment of a fully

unified data system remains a challenge, LAHSA has implemented corrective measures to streamline matching policies and prioritization frameworks. This includes regular meetings with the Department of Health Services (DHS) to align California Health Access Model Program (CHAMP) data standards with LAHSA's Homeless Management Information System (HMIS) to enable better platform integration, and weekly transfers of all HMIS data to the County's Chief Information Officer to improve system-wide coordination.

II. Quantification of Funding for City Programs

The report states that A&M identified approximately \$2.3 billion in funding related to City programs across the Lookback Period. The document also states that the City and LAHSA were unable to identify and calculate all relevant expenses for City Programs. This is in part due to how the City recorded its expenditures and the complex nature of LAHSA's utilization of braided funding from its various funders.

The inability to quantify the total amount of City funding is further compounded by A&M's characterization of the "Roadmap Program" as a structured initiative. LAHSA respectfully disagrees with this characterization. During interviews conducted with A&M on or around September 9 and 16, 2025, LAHSA clarified that the Roadmap was a legal agreement focused on the creation of additional shelter beds, rather than a comprehensive homeless services delivery program. Service expectations and funding levels varied across sites with some facilities offering wraparound services, while others operated as minimal-support shelters. LAHSA is standardizing, enhancing, and integrating Roadmap beds into the new Scope of Services rolling out with the re-procurement process for July 2025.

III. Disjointed Continuum-of-Care System

LAHSA agrees that the current Continuum-of-Care (CoC) structure is fragmented and requires reform, as was noted in [a 2021 report](#)¹ commissioned by LAHSA's Ad Hoc Committee on Governance and written by Ann Oliva, who is now the President of the National Alliance to End Homelessness. This report emphasized the need for clearer roles and responsibilities among LAHSA, the County, and the City. Given the variety of funding sources, mandates, and varying priorities, this fragmentation in the system is not unique to LAHSA but rather a result of broader systemic challenges in coordinating services across multiple jurisdictions and funders. As the lead agency, LAHSA administers the Coordinated Entry System, and works with local governments to establish program requirements and participant prioritization policies. However, varying mandates from different funders contribute to the system's disjointed nature. A&M claimed that LAHSA lacked a standardized prioritization policy for its Interim Housing (IH) matching during the Lookback Period. However, LAHSA does have a [prioritization policy](#)² for interim housing placements at LAHSA-funded interim housing facilities. Discrepancies emerged as the City rapidly expanded shelter programs, including A Bridge Home (ABH) and Roadmap shelters, which followed different prioritization frameworks based on various funding and contractual obligations.

To address these inconsistencies, LAHSA has collaborated with City and County partners to align prioritization standards across all IH programs, ensuring service providers receive enhanced training on prioritization protocols and eligibility criteria. Further improvements include implementing a centralized, real-time bed tracking and prioritization system. The Bed Inventory Module, set for full implementation by July 2025, will automate the matching process and integrate real-time availability tracking within the Homeless Management Information

System (HMIS). This system is designed to improve transparency and efficiency in shelter placements, reducing delays and increasing accessibility for those in need.

In the area of Permanent Housing (PH) and Permanent Supportive Housing (PSH), A&M identified challenges with fragmented referral processes and disparate data systems, resulting in a lack of transparency and inequities in service prioritization. LAHSA has taken steps to address these concerns by developing a unified Matching and Prioritization Guideline, approved by the CES Policy Council, to establish clear, data-driven procedures for PSH referrals. This publicly available guideline improves transparency and consistency, with discussions held in public forums to ensure accountability. Additionally, the enhanced Community Queue (CQ) now serves as the central data hub for PSH placements, integrating information from HMIS, DHS, and DMH to ensure all eligible individuals are considered. Further technological upgrades, including an improved HMIS interface and real-time tracking tools will streamline the PSH matching process, enhance service placements, and improve bed availability monitoring.

IV. Limited Financial Oversight and Performance Monitoring:

A&M raised concerns about invoicing inefficiencies, prolonged budget amendments, and inadequate invoice validation. LAHSA agrees that there is a need for enhanced financial oversight and transparency. However, LAHSA emphasizes the distinction between invoice processing and performance monitoring: the former ensures financial accuracy and compliance, while the latter focuses on service outcomes and contractual obligations. To improve accountability, LAHSA has standardized invoice submission through the Enterprise Grants Management System (EGMS) for service providers and Microix for non-service providers. Additionally, LAHSA refined documentation and reporting requirements to mandate detailed, itemized invoices with clear supporting documentation. A risk-based approach is employed for billing reviews, prioritizing higher-risk transactions for deeper scrutiny while ensuring compliance across all invoices.

A&M recommends real-time expenditure monitoring and uniform compliance standards. LAHSA agrees and has improved contract management by conducting monthly expenditure and performance reviews. These reviews track fund utilization, assess progress toward Key Performance Indicators (KPIs), and enable proactive interventions to enhance fiscal management and service delivery. LAHSA has also standardized compliance frameworks to ensure consistent financial reporting and timely expenditure submissions from service providers. Inter-agency coordination with City and County partners has been improved, though challenges remain due to external approval processes requiring multiple agency approvals. LAHSA expanded monitoring with routine spot-checks for invoice accuracy and adherence to funding restrictions, implementing corrective actions as needed. Ongoing training initiatives provide guidance to service providers for proper invoice submission, financial tracking, and compliance. LAHSA's use of dashboards to monitor fiscal and programmatic processes enhances accountability, transparency, and continuous improvement in fiscal oversight and service delivery.

V. Lack of Contractual Clarity and Accountability:

The report notes that contracts lacked clear definitions and accountability measures, leading to ambiguity in service delivery. This has historically been a challenge throughout the system. Over the last two years, LAHSA has taken proactive steps to improve contract

monitoring and compliance. LAHSA believes the details of this finding are somewhat mistaken, particularly regarding required services and spend-down of grant allocations.

The report cites the wide scope of allowable services. Each contract includes a Scope of Required Services (SRS) document, which clearly defines expectations, performance measures, and service delivery requirements. These documents are shared with service providers and program teams and made publicly accessible in LAHSA's document library to ensure transparency and accountability. The report notes different service types such as "Residential Supervision" and the perceived ambiguity of how allowable costs for supportive services intersect with the conditions of direct supportive services. Although these terms may not be common language for people not providing services within the homeless services system, these terms relate to specific tasks and services highlighted in LAHSA's SRS.

The report cites that due to lack of clarity in allowable services, service providers are granted discretion in allocating funds for services. Service providers operate under structured budget guidelines, with allowable fund allocations clearly defined based on the SRS and funding restrictions. Providers have some flexibility in managing costs within established budget categories but must adhere to strict expenditure requirements. For non-HUD CoC contracts, providers have discretion in budget allocation as long as expenses remain compliant with grant guidelines. In contrast, HUD CoC programs require rigid allocations, ensuring that funding is directed precisely as designated by the grant.

LAHSA has refined its reporting structures, standardizing contract management processes to ensure providers submit consistent and detailed expenditure reports. In Fall 2024, LAHSA strengthened contract oversight and performance management by implementing Active Contract Management (ACM) and Active System Management (ASM) to ensure ongoing, monthly performance tracking, financial accountability, and compliance monitoring. LAHSA is actively working with providers to scale ACM and ASM to the entire system.

VI. Cost and Service Variability:

A&M highlights variability in program costs and service provider performance. LAHSA agrees but emphasizes some key clarifications in monitoring expenses and outcomes. Service provider billing validation is distinct from performance reviews: billing ensures compliance with financial guidelines, while performance reviews focus on participant outcomes and service impact.

Operational models vary significantly between providers, impacting cost structures. Differences in staffing, security contracts, food services, and lease agreements contribute to cost discrepancies.

The A&M analysis does not account for economies of scale, which can distort cost-effectiveness comparisons. Larger providers may benefit from cost-sharing across multiple programs, while smaller providers may have higher per-unit costs. Geographic factors also significantly influence costs. Providers in high-rent areas face higher leasing, utility, and personnel expenses compared to those in lower-cost regions. Service models differ based on the needs of the population served. Providers supporting individuals with higher acuity levels require enhanced staffing, medical care, and intensive case management, increasing operational costs. Inconsistent funding allocations and contractual obligations contribute to cost disparities. Some providers receive private or philanthropic funding, allowing for expanded services, while others operate solely on public funding.

LAHSA has improved its monitoring of outcomes through ACM, ASM, and the implementation of its data dashboards. The report states, “a high percentage of document-ready participants or prolonged stays did not appear to result in higher permanent housing placements.” LAHSA respectfully disagrees with this claim, noting that there is a demonstrated correlation between longer interim housing stays, increased document readiness, and improved housing placement outcomes. From 2023 to 2024, there was a 29% increase in permanent housing placements from interim housing, indicating positive progress in this area.³

VII. Reconciliation of Spending:

The report notes that the lack of reconciliation in the City’s fiscal reporting between budget allocations and actual spending caused confusion about the total amount spent on homelessness services. A&M recommends linking contract renewals and funding allocations to measurable outcomes.

LAHSA agrees and has implemented an improved outcome-monitoring system in a myriad of ways. This includes updated and enhanced contractual KPIs and joint monthly monitoring of contractual performance and spenddown. LAHSA has incorporated enhanced data-driven decision-making, utilizing system data dashboards to track funding effectiveness and optimize resource allocation. LAHSA also advocates for more performance-based funding models, where contracts and funding allocations are increasingly tied to demonstrated program success and adherence to contract requirements. LAHSA has implemented standardized reporting frameworks, ensuring consistent documentation of outcomes, expenditures, and provider performance to enable informed policy decisions. Collaboration with funders is critical to align funding priorities with data-driven insights, ensuring resources are directed toward the most impactful and sustainable interventions.

Conclusion

As Chief Executive Officer of LAHSA, I want to reaffirm LAHSA’s unwavering commitment to transparency, accountability, and operational excellence in our mission to address homelessness in Los Angeles. Since stepping into this role, I have prioritized strengthening financial oversight, improving data accuracy, and enhancing service provider accountability to ensure that public resources are managed responsibly and distributed equitably to those most in need.

The challenges outlined in the report are not taken lightly. We had identified many of them previously and have taken decisive, measurable actions to reinforce fiscal integrity, streamline service coordination, and improve housing placement efficiency by integrating performance-based funding models, refining compliance & monitoring systems, prioritizing real-time data tracking, ensuring services are delivered efficiently, and outcomes are demonstrable.

Homelessness is a complex crisis that requires a collaborative, multi-agency response. I strongly agree with the A&M recommendation for a unified homeless strategy and funding priorities across the City and County of Los Angeles. No single entity can solve this challenge alone. I urge our City and County partners, service providers, and community stakeholders to remain engaged in aligning policies, eliminating inefficiencies, and investing in sustainable housing solutions. Only through coordinated, data-driven decision-making and shared accountability can we enact meaningful, systemic changes.

I respectfully request that the Court recognize the substantial progress achieved and support our ongoing efforts to build a more effective, accountable, and transparent homeless services system. I welcome continued engagement and remain committed to demonstrating our dedication to fiscal responsibility, service excellence, and providing real housing solutions for those experiencing homelessness.

Thank you for your time and consideration.

Sincerely,



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