



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

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ARLENE BARRERA
AUDITOR-CONTROLLER

December 26, 2019

TO: Supervisor Kathryn Barger, Chair
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Janice Hahn

FROM: Arlene Barrera *Arlene Barrera*
Auditor-Controller

SUBJECT: **AUDIT OF THE HOMELESS AND HOUSING MEASURE H SPECIAL
REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2019**

Attached is the independently audited report for the County of Los Angeles Homeless and Housing Measure H Special Revenue Fund (Measure H) Schedule of Revenues and Expenditures and Changes in Fund Balance (Schedule) for the year ended June 30, 2019. We contracted with an independent Certified Public Accounting firm, BCA Watson Rice LLP (BCA or auditor), to perform the audit under the Auditor-Controller's master agreement for audit services. BCA's report (Attachment I) concludes that the Schedule is presented fairly in conformance with generally accepted accounting principles. In addition, the auditor did not identify any audit findings this year and indicated the two prior-year audit findings were resolved.

We also engaged the auditors to complete an Agreed Upon Procedures review to ensure that Measure H funding was being used as intended by the voter approved Measure. The auditor's report (Attachment II) is also attached.

If you have any questions please call me, or your staff may contact Terri Kasman at (213) 253-0301.

AB:PH:TK:JH

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Celia Zavala, Executive Director, Board of Supervisors
Audit Committee
Countywide Communications

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Attachment I

COUNTY OF LOS ANGELES

Independent Auditor's Report on Schedule of Revenues and Expenditures and Changes in Fund Balance

HOMELESS AND HOUSING MEASURE H SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2019



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County of Los Angeles
 Independent Auditor’s Report on
 Schedule of Revenues and Expenditures and Changes in Fund Balance
 For
 Homeless and Housing Measure H Special Revenue Fund

For the Fiscal Year Ended June 30, 2019

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Independent Auditor's Report

Ms. Arlene Barrera
Auditor-Controller
County of Los Angeles
Los Angeles, California

Report on the Schedule of Homeless and Housing Measure H Revenues and Expenditures

We have audited the accompanying Schedule of Homeless and Housing Measure H (Measure H) Revenues and Expenditures and Changes in Fund Balance (the Schedule) of the County of Los Angeles (the County) for the fiscal year ended June 30, 2019, and the related notes to the Schedule, which collectively comprise the County's basic Schedule as listed in the table of contents.

Management's Responsibility for the Schedule of Measure H Revenues and Expenditures

The County's management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule referred to above present fairly, in all material respects, the Measure H Revenues and Expenditures of the County for the fiscal year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 12 and 13 be presented to supplement the Schedule. Such information, although not a part of the basic Schedule, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic Schedule in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic Schedule, and other knowledge we obtained during our audit of the basic Schedule. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

As discussed in Note 2 to the Schedule, the accompanying Schedule of the Measure H Special Revenue Fund is intended to present the revenues and expenditures attributable to the Fund. They do not purport to, and do not, present fairly the financial position of the County, as of June 30, 2019, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Torrance, CA
December 5, 2019

County of Los Angeles
Homeless and Housing Measure H Special Revenue Fund
Schedule of Revenues and Expenditures and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2019

Revenues:

Voter Approved Special Taxes	\$ 401,879,640
Investment Earnings	<u>2,896,317</u>
Total Revenues	<u>404,775,957</u>

Expenditures

A: Prevent Homelessness

	<i>Strategy by Department/ Agency:</i>	<i>Total by Strategy</i>	<i>Total by Objective</i>
A1: Homeless Prevention Program for Families			
Los Angeles Homeless Services Authority (Note 4)	<u>\$ 5,148,395</u>		
Total A1: Homeless Prevention Program for Families		\$ 5,148,395	
A5: Homeless Prevention Program for Individuals			
Los Angeles Homeless Services Authority (Note 4)	<u>8,064,777</u>		
Total A5: Homeless Prevention Program for Individuals		<u>8,064,777</u>	
Total A: Prevent Homelessness			\$ 13,213,172

B: Subsidize Housing

B1: Provide Subsidized Housing to Homeless Disabled Individuals Pursuing Supplemental Security Income (SSI)			
Department of Public Social Services	<u>3,807,640</u>		
Total B1: Provide Subsidized Housing to Homeless Disabled Individuals Pursuing SSI		3,807,640	
B3: Partner with Cities to Expand Rapid Re-Housing			
Department of Health Services	15,304,000		
Los Angeles Homeless Services Authority	<u>47,439,938</u>		
Total B3: Partner with Cities to Expand Rapid Re-Housing		62,743,938	
B4: Facilitate Utilization of Federal Housing Subsidies			
Los Angeles Community Development Authority (Note 3)	<u>11,627,000</u>		
Total B4: Facilitate Utilization of Federal Housing Subsidies		11,627,000	
B6: Family Reunification Housing Subsidy			
Department of Children and Family Services	<u>2,000,000</u>		
Total B6: Family Reunification Housing Subsidy		2,000,000	
B7: Interim/ Bridge Housing for Those Exiting Institutions			
Los Angeles Homeless Services Authority (Note 4)	4,291,118		
Department of Health Services	16,703,000		
Department of Mental Health	64,426		
Department of Public Health	<u>4,403,000</u>		
Total B7: Interim/ Bridge Housing for Those Exiting Institutions		<u>25,461,544</u>	
Total B: Subsidize Housing			105,640,122

Notes to the Schedule of Revenues and Expenditures and Changes in Fund Balance are an integral part of this Schedule.

County of Los Angeles
Homeless and Housing Measure H Special Revenue Fund
Schedule of Revenues and Expenditures and Changes in Fund Balance (Continued)
For the Fiscal Year Ended June 30, 2019

	<i>Strategy by Department/ Agency:</i>	<i>Total by Strategy</i>	<i>Total by Objective</i>
C: Increase Income			
C4: Establish a Countywide SSI Advocacy Program for People Experiencing Homelessness or at Risk of Homelessness			
Department of Health Services	5,627,051		
Department of Mental Health	948,967		
Department of Public Social Services	3,478,120		
Total C4: Establish a Countywide SSI Advocacy Program		10,054,138	
C7: Subsidized Employment for Homeless Adults			
Department of Workforce Development, Aging, and Community Services	5,223,068		
Total C7: Subsidized Employment for Homeless Adults		5,223,068	
Total C: Increase Income			15,277,206
D: Provide Case Management and Services			
D6: Criminal Record Clearing Project			
Department of Public Defender	1,159,469		
Total D6: Criminal Record Clearing Project		1,159,469	
D7: Provide Services and Rental Subsidies for Permanent Supportive Housing (PSH)			
Department of Health Services	45,999,000		
Department of Mental Health	1,520,443		
Department of Public Health	315,052		
Total D7: Provide Services and Rental Subsidies for PSH		47,834,495	
Total D: Provide Case Management and Services			48,993,964
E: Create a Coordinated System			
E6: Countywide Outreach System			
Department of Health Services	21,731,000		
Los Angeles Homeless Services Authority (Note 4)	6,144,978		
Department of Mental Health	89,465		
Total E6: Countywide Outreach System		27,965,443	
E7: Strengthen the Coordinated Entry System			
Los Angeles Homeless Services Authority (Note 4)	27,404,637		
Chief Executive Office	103,885		
Total E7: Strengthen the Coordinated Entry System		27,508,522	

Notes to the Schedule of Revenues and Expenditures and Changes in Fund Balance are an integral part of this Schedule.

County of Los Angeles
Homeless and Housing Measure H Special Revenue Fund
Schedule of Revenues and Expenditures and Changes in Fund Balance (Continued)
For the Fiscal Year Ended June 30, 2019

	<i>Strategy by Department/ Agency:</i>	<i>Total by Strategy</i>	<i>Total by Objective</i>
E8: Enhance the Emergency Shelter System			
Department of Health Services	22,020,579		
Los Angeles Homeless Services Authority (Note 4)	57,398,896		
City of Los Angeles	2,500,000		
Department of Mental Health	63,843		
Department of Public Health	528,463		
Total E8: Enhance the Emergency Shelter System		82,511,781	
E14: Enhanced Services for Transition Age Youth			
Los Angeles Homeless Services Authority (Note 4)	15,798,871		
Total E14: Enhanced Services for Transition Age Youth		15,798,871	
Total E: Create a Coordinated System			153,784,617
F: Increase Affordable/Homeless Housing			
F7: One-Time Housing Innovation Fund			
Chief Executive Office	131,113		
Housing Authority of Los Angeles	15,000,000		
Total F7: One-Time Housing Innovation Fund		15,131,113	
Total F: Increase Affordable/Homeless Housing			15,131,113
Administrative:			
Homeless Initiative Administration		1,786,398	
Total Administrative			1,786,398
Total Expenditures			353,826,592
Excess of Revenues Over Expenditures			50,949,365
Net Change in Fund Balance			50,949,365
Fund Balance, July 1, 2018			92,055,409
Fund Balance, June 30, 2019			\$ 143,004,774

Notes to the Schedule of Revenues and Expenditures and Changes in Fund Balance are an integral part of this Schedule.

County of Los Angeles
Homeless and Housing Measure H Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures and Changes in Fund Balance
June 30, 2019

The Notes to the Schedule of Revenues and Expenditures and Changes in Fund Balance are summaries of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying Schedule of Revenues and Expenditures.

1. Organization

General

The County of Los Angeles (County), which was established in 1850, is a legal subdivision of the State of California charged with general governmental powers. The County's powers are exercised through an elected five-member Board of Supervisors, which, as the governing body of the County, is responsible for the legislative and executive control of the County.

Homeless and Housing Measure H Special Revenue Fund

Measure H, also known as the Transaction and Use Tax to Prevent and Combat Homelessness Ordinance (Los Angeles County Code, Chapter 4.73) is a special revenue fund of the County used to account for the proceeds of the voter-approved quarter-cent county-wide sales tax that became effective in March 2017. The California Board of Equalization began collecting the Measure H quarter-cent sales tax from businesses and consumers in October 2017. Revenues collected are required to be expended by the County pursuant to an expenditure plan approved by the Board of Supervisors prior to June 30th of each fiscal year. The fiscal year (FY) 2018-19 Board approved expenditure plan funded 16 Homeless Initiative strategies to combat the homeless crisis in Los Angeles County. The funding was allocated to the following County Departments and outside agencies: the Chief Executive Office (CEO), the Department of Children and Family Services (DCFS), the Department of Health Services (DHS), the Department of Mental Health (DMH), the Department of Public Health (DPH), the Department of Public Social Services (DPSS), Public Defender (PD), Workforce Development, Aging and Community Services (WDACS), the Los Angeles Community Development Authority (LACDA) formerly known as Community Development Commission (CDC) and the Housing Authority of the County of Los Angeles (HACoLA), the City of Los Angeles, and the Los Angeles Homeless Services Authority (LAHSA).

These strategies were divided into the following six areas:

Strategy A - Preventing Homelessness - Combating homelessness requires reducing the number of families and individuals who have become homeless and helping currently homeless families and individuals move into permanent housing.

Strategy B - Subsidize Housing - Homeless families and individuals lack sufficient income to pay rent on an ongoing basis due to the high cost of housing in Los Angeles County. Subsidizing rent and related housing costs is key to enabling homeless families and individuals to secure and retain permanent housing and to prevent families and individuals from becoming homeless.

Strategy C - Increase Income - A high percentage of homeless adults can increase their income through employment and qualified disabled homeless individuals can increase their income through federal disability benefits. This increase in income can assist homeless families and individuals pay for their own housing in the future.

County of Los Angeles
Homeless and Housing Measure H Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures and Changes in Fund Balance
June 30, 2019

1. Organization (Continued)

Homeless and Housing Measure H Special Revenue Fund (Continued)

Strategy D - Provide Case Management and Services - The availability of appropriate case management and supportive services is critical to enable homeless families and individuals to take advantage of an available rental subsidy, increase their income, and access/utilize available services and benefits. Since the specific needs of homeless families and individuals vary depending on their circumstances, they need case management and supportive services to secure and maintain permanent housing.

Strategy E - Create a Coordinated System - Homeless individuals, families and youth often encounter multiple County departments, city agencies and community-based providers based on their complex individual needs. This fragmentation is often exacerbated by lack of coordination of services, disparate eligibility requirements, funding streams, and bureaucratic processes. A coordinated system brings together homeless and mainstream services to maximize the efficiency of current programs and expenditures.

Strategy F - Increase Affordable Homeless Housing - The lack of affordable housing for the homeless contributes substantially to the current crisis of homelessness. The County and cities throughout the region can increase the availability of both affordable and homeless housing through a combination of land use policy and subsidies for housing development.

2. Summary of Significant Accounting Policies

The Schedule of Revenues and Expenditures and Changes in Fund Balance for the Homeless and Housing Measure H Special Revenue Fund (the Schedule) has been prepared in conformity with Generally Accepted Accounting Principles in the United States of America (US GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for governments. The most significant of the County's accounting policies with regard to the special revenue fund type are described below:

Fund Accounting

The County utilizes fund accounting to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Governmental Funds are used to account for most of the County's governmental activities. The measurement focus is a determination of changes in financial position, rather than a net income determination. The County uses governmental fund type Special Revenue Fund to account for Measure H sales tax revenues and expenditures. Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

County of Los Angeles
Homeless and Housing Measure H Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures and Changes in Fund Balance
June 30, 2019

2. Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The modified accrual basis of accounting is used for the special revenue fund type. Under the modified accrual basis of accounting, revenues (primarily from sales tax) are recorded when susceptible to accrual, which means measurable (amount can be determined) and available (collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period). Expenditures are generally recorded when a liability is incurred.

Investment Earnings

The County maintains a pooled cash and investments account that is available for use by all funds, except those restricted by State statutes. For the fiscal year ended June 30, 2019, the Homeless and Housing Measure H Special Revenue Fund had an investment earnings of \$2,896,317.

Use of Estimates

The preparation of the Schedule in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Schedule of Revenues and Expenditures and Changes in Fund Balance for Measure H Special Revenue Fund

The Schedule is intended to reflect the revenues and expenditures of the Homeless and Housing Measure H Special Revenue fund only. Accordingly, the Schedule does not purport to, and does not, present fairly the financial position of the County and changes in financial position thereof for the year then ended in conformity with US GAAP.

The audited financial statements for the Homeless and Housing Measure H Special Revenue Fund for the fiscal year ended June 30, 2019 are included in the County's Audited Comprehensive Annual Financial Report (CAFR), which can be found at <https://auditor.lacounty.gov/la-county-cafr/>.

3. Los Angeles Community Development Authority (LACDA)

On May 16, 2019, the County Board of Supervisors rebranded the two agencies the Community Development Commission (CDC) and Housing Authority of the County of Los Angeles (HACOLA), which received Measure H funds in prior fiscal year, under the new name "Los Angeles Community Development Authority" (LACDA). For the year ended June 30, 2019, the County disbursed to LACDA \$11,627,000 for Measure H eligible Homeless Initiative Strategy B4 - Subsidize Housing/Facilitate Utilization of Federal Housing Subsidies and \$15 million to finance the development and preservation of homeless housing through the Commission's Notice of Funding Availability (NOFA) process. The \$15,000,000 funding will be used to support the development and preservation of homeless housing in areas of the County where there is an urgent need for housing under Measure H eligible Homeless Initiative Strategy F7 – Preserve Current Affordable Housing and Promote the Development of Affordable Housing for Homeless Families and Individuals.

County of Los Angeles
Homeless and Housing Measure H Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures and Changes in Fund Balance
June 30, 2019

3. Los Angeles Community Development Authority (LACDA) - (Continued)

The \$11,627,000 amount allocated for strategy B4 was fully spent during fiscal year 2018-19. While the \$15,000,000 disbursed to the LACDA in FY 2018-19 for strategy F7, \$1,200,000 was allocated for administrative costs and \$13,800,000 was allocated for capital funding through the LACDA's NOFA process for Strategy F7.

For the year ended June 30, 2019, LACDA's Measure H Strategy F7 actual expenditures totaled \$6,098,250 comprised of \$5,656,191 in capital funding and \$442,059 in administrative costs. As of June 30, 2019, the capital funding allocated through the NOFA process for Strategy F7, including funds received from prior fiscal year were as follows:

Housing Projects	Measure H Funds Committed	Expected Construction Starts/Completion Date
<u>From FY 2017-18 allocation:</u>		
PATH Villas at South Gate	\$ 1,700,000	Construction to start in March 2020
Kensington Campus	2,000,000	Expected completion, December 2019
Florence Apartments	2,000,000	Expected completion, August 2021
The Spark at Midtown	2,000,000	Expected completion, November 2020
Sun Commons	1,500,000	Construction to start in February/March 2020
Sub-total	<u>\$ 9,200,000</u>	
<u>From FY 2018-19 allocation:</u>		
Veterans Parks Apartments	\$ 2,000,000	Construction not yet started
Fairview Heights	2,800,000	Construction not yet started
Vermont/Manchester	2,000,000	Construction not yet started
PCH and Magnolia	2,000,000	Construction not yet started
The Pointe on La Brea	2,000,000	Construction not yet started
Juniper Grove	3,000,000	Construction not yet started
Sub-total	<u>\$ 13,800,000</u>	
Grand total	<u>\$ 23,000,000</u>	

4. Los Angeles Homeless Services Authority

For the year ended June 30, 2019, the County disbursed \$171,691,610 to LAHSA for Measure H expenditures to prevent and combat homelessness projects under various homeless initiative strategies as listed in the table on the following page. However, LAHSA's actual Measure H expenditures were \$175,666,385 for the year ended June 30, 2019. The \$3,974,775 difference represents LAHSA's late 4th quarter claims/billings not reimbursed in FY 2018-19 by the County since it was submitted beyond the County's processing cut-off for expenditures reimbursements/payments.

County of Los Angeles
Homeless and Housing Measure H Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures and Changes in Fund Balance
June 30, 2019

4. Los Angeles Homeless Services Authority (Continued)

Strategy	Measure H Disbursement by County	Actual Measure H Expenditures	Difference
A1 Homeless Prevention for Families	\$ 5,148,395	\$ 5,091,369	\$ 57,026
A5 Homeless Prevention for Individuals	8,064,777	8,234,921	(170,144)
B3 Partner with Cities to expand rapid re- housing	47,439,938	49,389,514	(1,949,576)
B7 Interim/ Bridge Housing for Those Exiting Institutions	4,291,118	4,316,412	(25,294)
E6 Countywide Outreach System	6,144,978	6,282,046	(137,068)
E7 Strengthen the Coordinated Entry System	27,404,637	28,010,783	(606,146)
E8 Enhance the Emergency Shelter System	57,398,896	58,485,977	(1,087,081)
E14 Enhanced Services for Transition Age Youth	15,798,871	15,855,363	(56,492)
Total	<u>\$ 171,691,610</u>	<u>\$ 175,666,385</u>	<u>\$ (3,974,775)</u>

5. Subsequent Events

In preparing the Schedule of Measure H Revenues and Expenditures, the County has evaluated events and transactions for potential recognition or disclosure through December 5, 2019, the date the Schedule was issued. No subsequent events occurred that require recognition or additional disclosure in the Schedule.

REQUIRED SUPPLEMENTARY INFORMATION

County of Los Angeles
Homeless and Housing Measure H Special Revenue Fund
Schedule of Revenues and Expenditures and Changes in Fund Balance – Budget and Actual on a
Budgetary Basis
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Voter Approved Special Taxes	\$ 335,572,000	\$ 401,879,640	\$ 66,307,640
Interest Earnings	-	2,045,317	2,045,317
Total Revenues	<u>335,572,000</u>	<u>403,924,957</u>	<u>68,352,957</u>
Expenditures			
A: Prevent Homelessness			
A1: Homeless Prevention Program for Families			
Los Angeles Homeless Services Authority	6,000,000	5,148,395	851,605
Total A1: Homeless Prevention Program for Families	<u>6,000,000</u>	<u>5,148,395</u>	<u>851,605</u>
A5: Homeless Prevention Program for Individuals			
Los Angeles Homeless Services Authority	11,000,000	8,064,777	2,935,223
Total A5: Homeless Prevention Program for Individuals	<u>11,000,000</u>	<u>8,064,777</u>	<u>2,935,223</u>
Total A: Prevent Homelessness	<u>17,000,000</u>	<u>13,213,172</u>	<u>3,786,828</u>
B: Subsidize Housing			
B1: Provide Subsidized Housing to Homeless Disabled Individuals Pursuing Supplemental Security Income (SSI)			
Department of Public Social Services	6,258,000	3,807,640	2,450,360
Total B1: Provide Subsidized Housing to Homeless Disabled Individuals Pursuing SSI	<u>6,258,000</u>	<u>3,807,640</u>	<u>2,450,360</u>
B3: Partner with Cities to Expand Rapid Re-Housing			
Department of Health Services	15,304,000	15,304,000	-
Los Angeles Homeless Services Authority	57,696,000	47,439,938	10,256,062
Total B3: Partner with Cities to Expand Rapid Re-Housing	<u>73,000,000</u>	<u>62,743,938</u>	<u>10,256,062</u>
B4: Facilitate Utilization of Federal Housing Subsidies			
Los Angeles Community Development Authority	11,627,000	11,627,000	-
Total B4: Facilitate Utilization of Federal Housing Subsidies	<u>11,627,000</u>	<u>11,627,000</u>	<u>-</u>
B6: Family Reunification Housing Subsidy			
Department of Children and Family Services	2,000,000	2,000,000	-
Total B6: Family Reunification Housing Subsidy	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
B7: Interim/ Bridge Housing for Those Exiting Institutions			
Los Angeles Homeless Services Authority	5,086,000	4,291,118	794,882
Department of Health Services	16,715,000	16,703,000	12,000
Department of Mental Health	65,000	64,426	574
Department of Public Health	4,403,000	4,403,000	-
Total B7: Interim/ Bridge Housing for Those Exiting Institutions	<u>26,269,000</u>	<u>25,461,544</u>	<u>807,456</u>
Total B: Subsidize Housing	<u>119,154,000</u>	<u>105,640,122</u>	<u>13,513,878</u>
C: Increase Income			
C4: Establish a Countywide SSI Advocacy Program for People Experiencing Homelessness or at Risk of Homelessness			
Department of Health Services	7,131,000	5,627,051	1,503,949
Department of Public Social Services	4,600,000	3,478,120	1,121,880
Department of Mental Health	949,000	948,967	33
Total C4: Establish a Countywide SSI Advocacy Program	<u>12,680,000</u>	<u>10,054,138</u>	<u>2,625,862</u>
C7: Subsidized Employment for Homeless Adults			
Department of Workforce Development, Aging, and Community Services	5,150,000	5,223,068	(73,068) *
Total C7: Subsidized Employment for Homeless Adults	<u>5,150,000</u>	<u>5,223,068</u>	<u>(73,068)</u>
Total C: Increase Income	<u>17,830,000</u>	<u>15,277,206</u>	<u>2,552,794</u>

See accompanying notes to the required supplementary information.

County of Los Angeles
Homeless and Housing Measure H Special Revenue Fund
Schedule of Revenues and Expenditures and Changes in Fund Balance – Budget and Actual on a
Budgetary Basis (Continued)
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
D: Provide Case Management and Services			
D6: Criminal Record Clearing Project			
Department of Public Defender	1,880,000	1,159,469	720,531
Total D6: Criminal Record Clearing Project	<u>1,880,000</u>	<u>1,159,469</u>	<u>720,531</u>
D7: Provide Services and Rental Subsidies for Permanent Supportive Housing (PSH)			
Department of Health Services	45,999,000	45,999,000	-
Department of Mental Health	2,193,000	1,520,443	672,557
Department of Public Health	1,108,000	315,052	792,948
Total D7: Provide Services and Rental Subsidies for PSH	<u>49,300,000</u>	<u>47,834,495</u>	<u>1,465,505</u>
Total D: Provide Case Management and Services	<u>51,180,000</u>	<u>48,993,964</u>	<u>2,186,036</u>
E: Create a Coordinated System			
E6: Countywide Outreach System			
Department of Health Services	21,759,000	21,731,000	28,000
Los Angeles Homeless Services Authority	8,211,000	6,144,978	2,066,022
Department of Mental Health	147,000	89,465	57,535
Total E6: Countywide Outreach System	<u>30,117,000</u>	<u>27,965,443</u>	<u>2,151,557</u>
E7: Strengthen the Coordinated Entry System			
Los Angeles Homeless Services Authority	35,500,000	27,404,637	8,095,363
Chief Executive Office	3,500,000	103,885	3,396,115
Total E7: Strengthen the Coordinated Entry System	<u>39,000,000</u>	<u>27,508,522</u>	<u>11,491,478</u>
E8: Enhance the Emergency Shelter System			
Department of Health Services	37,382,000	22,020,579	15,361,421
Los Angeles Homeless Services Authority	61,564,000	57,398,896	4,165,104
Department of Mental Health	66,000	63,843	2,157
Department of Public Health	618,000	528,463	89,537
City of Los Angeles	2,500,000	2,500,000	-
Total E8: Enhance the Emergency Shelter System	<u>102,130,000</u>	<u>82,511,781</u>	<u>19,618,219</u>
E14: Enhanced Services for Transition Age Youth			
Los Angeles Homeless Services Authority	19,000,000	15,798,871	3,201,129
Total E14: Enhanced Services for Transition Age Youth	<u>19,000,000</u>	<u>15,798,871</u>	<u>3,201,129</u>
Total E: Create a Coordinated System	<u>190,247,000</u>	<u>153,784,617</u>	<u>36,462,383</u>
F: Increase Affordable/Homeless Housing			
F7: One-Time Housing Innovation Fund			
Chief Executive Office	-	131,113	(131,113) *
Los Angeles Community Development Authority	15,000,000	15,000,000	-
Total F7: One-Time Housing Innovation Fund	<u>15,000,000</u>	<u>15,131,113</u>	<u>(131,113)</u>
Total F: Increase Affordable/Homeless Housing			
Administrative			
Homeless Initiative Administration	1,830,000	1,786,398	43,602
Total Administrative	<u>1,830,000</u>	<u>1,786,398</u>	<u>43,602</u>
Total Expenditures	<u>412,241,000</u>	<u>353,826,592</u>	<u>58,414,408</u>
Excess of Revenues Over Expenditures	(76,669,000)	50,098,365	126,767,365
Less: Contractual Obligations/accrual of revenue			
Commitments Outstanding as of Fiscal Year End	-	36,200,825	(36,200,825)
Prior-year encumbrance and accruals of interest revenue	-	(1,031,503)	1,031,503
Total Net Change in Contractual Obligations	<u>-</u>	<u>35,169,322</u>	<u>(35,169,322)</u>
Net Change in Fund Balance	(76,669,000)	14,929,043	(91,598,043)
Fund Balance, July 1, 2018	<u>91,023,906</u>	<u>91,023,906</u>	<u>-</u>
Fund Balance, June 30, 2019	<u>\$ 14,354,906</u>	<u>\$ 105,952,949</u>	<u>\$ (91,598,043)</u>

* Negative variance represents Fiscal Year 2017-2018 encumbrances paid during FY 2018-2019.

See accompanying notes to the required supplementary information.

County of Los Angeles
Homeless and Housing Measure H Special Revenue Fund
Notes to the Required Supplementary Information
June 30, 2019

1. Budgets and Budgetary Information

In accordance with the provisions of Sections 29000-29144 of the Government Code of the State of California, commonly known as the County Budget Act, the County prepares and adopts an annual budget on or before October 2 for each fiscal year. Budgets are adopted on a basis of accounting that is different from accounting principles generally accepted in the United States of America. Budgets for the Homeless and Housing Measure H Special Revenue Fund are consistent with the annual expenditure plan approved by the Board of Supervisors. The County utilizes an encumbrance system as a management control technique to assist in controlling expenditures and enforcing revenue provisions. Under this system, the current year expenditures are charged against appropriations. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items.

2. Reconciliation of Fund Balance- Budgetary to US GAAP Basis

The Schedule of Revenues and Expenditures and Changes in Fund Balance of the Homeless and Housing Measure H Special Revenue Fund has been prepared on a modified accrual basis of accounting in accordance with US GAAP. The Budgetary Comparison Schedule have been prepared on a budgetary basis, which is different from US GAAP.

The following schedule is a reconciliation of the budgetary and US GAAP fund balances as of June 30, 2019:

Fund Balance - budgetary basis	\$	105,952,949
Encumbrances and other reserves		36,200,825
Subtotal		142,153,774
Adjustments:		
Change in revenue accruals		851,000
Fund Balance - US GAAP basis	\$	143,004,774

**SUPPLEMENTAL INFORMATION
IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Schedule of Revenues and Expenditures and Changes in Fund Balance of the Homeless and Housing Measure H Special Revenue Fund Performed in Accordance with *Government Auditing Standards*

Ms. Arlene Barrera
Auditor-Controller
County of Los Angeles
Los Angeles, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Revenues and Expenditures and Changes in Fund Balance (the Schedule) for Homeless and Housing Measure H (Measure H) Special Revenue Fund of the County of Los Angeles (the County) for the fiscal year ended June 30, 2019, and the related notes to the Schedule, which collectively comprised the County's basic Schedule, and have issued our report thereon dated December 5, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's Schedule will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's Schedule is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the amounts on the Schedule. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BCA Watson Rice, LLP

Torrance, California
December 5, 2019

**Independent Auditor's Report on Compliance with Requirements
Applicable to Revenues and Expenditures and Changes in Fund Balance of the
Homeless and Housing Measure H Special Revenue Fund in Accordance with the
Measure H, Ordinance 2017-001, Chapter 4.73 to the Los Angeles County Code –
Transaction and Use Tax to Prevent and Combat Homelessness**

Ms. Arlene Barrera
Auditor-Controller
County of Los Angeles
Los Angeles, California

Report on Compliance

We have audited the County of Los Angeles (the County) compliance of the Homeless and Housing Measure H (Measure H) revenues and expenditures and changes in fund balance with the types of compliance requirements described in the *Measure H, Ordinance 2017-001, Chapter 4.73 to the Los Angeles County Code – Transaction and Use Tax to Prevent and Combat Homelessness*, for the fiscal year ended June 30, 2019.

Management's Responsibility

The County's management is responsible for compliance with the requirements of laws and regulations applicable to the Measure H revenues and expenditures.

Auditor's Responsibility

Our responsibility is to express an opinion on the County's compliance with Measure H revenues and expenditures based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on Measure H revenues and expenditures occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on the Measure H revenues and expenditures. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on Measure H Revenues and Expenditures

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Measure H revenues and expenditures for the fiscal year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on the Measure H revenues and expenditures as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the *Measure H, Ordinance 2017-001, Chapter 4.73 to the Los Angeles County Code – Transaction and Use Tax to Prevent and Combat Homelessness*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the Measure H revenues and expenditures that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guidelines. Accordingly, this report is not suitable for any other purpose.

BCA Watson Rice, LLP

Torrance, California
December 5, 2019

County of Los Angeles
Homeless and Housing Measure H Special Revenue Fund
Current Year Audit Findings and Recommendations
For the Year Ended June 30, 2019

There were no current year audit findings.

County of Los Angeles
Homeless and Housing Measure H Special Revenue Fund
Status of Prior-Year Audit Findings and Recommendations

Finding No. 2018-01 – The County’s Chief Executive Officer (CEO) did not issue specific Measure H program fiscal oversight policies or procedures detailing the expenditure documentation and fiscal monitoring review requirements for subrecipient contracted providers of County Departments and Agencies receiving Measure H funds. As a result, only limited documentation was submitted in support of Measure H expenditure invoices by subrecipient contracted providers, resulting in \$115,452 of questioned costs based on our sample expenditure testing.

Criteria – Effective and adequate internal controls require that prior to payment of subrecipient contracted provider invoices, adequate assurance on the eligibility and accuracy of Measure H expenditures should be determined, including a review of sufficient detail to support the costs incurred.

Condition – The CEO did not issue specific Measure H program fiscal policies and procedures detailing the expenditure documentation and fiscal monitoring review requirements for subrecipient contracted providers. For FY 2017-18, Measure H expenditures by LAHSA, DHS, and WDACS represented eighty-eight percent (88%) of total Measure H expenditures by the County. A majority of the Measure H funds disbursed to LAHSA, DHS, and WDACS were expended by third party subrecipient contracted providers. We found that subrecipient contracted providers to LAHSA, DHS^a, and WDACS submitted limited detailed documentation in support of invoiced expenditures. Only summary accounting reports, such as general ledgers, profit and loss reports, and budget to actual reports were required to be submitted in support of expenditure invoices. Moreover, we found that limited or no fiscal monitoring reviews of Measure H subrecipient contracted providers were performed in FY 2017-18.

Cause – For FY 2017-18, the CEO determined that it was necessary to disburse Measure H funds to County Departments and Agencies to serve the homeless community without specific written policies and procedures for Measure H expenditure claims as to eliminate administrative barriers at the onset of Measure H implementation with the intention of developing specific fiscal policies and procedures in the future. Thus, the CEO deferred to each County Department and Agency to utilize its existing documentation requirements for subrecipient contracted providers.

Effect – The lack of obtaining adequate assurance on the eligibility and accuracy of Measure H expenditures, including a review of detailed supporting documentation and conducting fiscal monitoring reviews of subrecipient contracted providers resulted in unsupported/unallowable Measure H claimed costs totaling \$115,452 based on our sample testing.

Recommendation – Recognizing the importance of making timely payment of invoices to subrecipient contracted providers and the extensive time requirements of County Departments and Agencies to review voluminous amounts of detailed supporting documentation prior to payment of monthly invoices, the CEO should design a comprehensive Measure H fiscal oversight program that is consistently applied by all County Departments and Agencies that utilize subrecipient contracted providers. The Measure H fiscal oversight program should include at a minimum: 1) periodic fiscal monitoring reviews of subrecipient contracted provider cost accounting procedures, internal controls, and cost allocation plans, 2) testing and verification that sufficient and adequate supporting documentation of Measure H expenditures are being maintained by subrecipient contracted providers,

^a For DHS, limited documentation submitted by subrecipient contracted providers applies to cost-reimbursable contracts only.

County of Los Angeles
Homeless and Housing Measure H Special Revenue Fund
Status of Prior-Year Audit Findings and Recommendations

and 3) development of a risked-based approach for effective fiscal oversight of subrecipient contracted providers. Fiscal monitoring reviews combined with a review of detailed supporting documentation should be performed timely throughout the fiscal year and not just at year-end.

Current Year Status – At the beginning of FY 2019-20, the CEO in collaboration with the Auditor-Controller issued a comprehensive Measure H fiscal policy manual to departments and agencies providing guidance on how to utilize subrecipient contracted providers for Measure H-funded services. Thus, this finding is resolved.

County of Los Angeles
Homeless and Housing Measure H Special Revenue Fund
Status of Prior-Year Audit Findings and Recommendations

Finding No. 2018-02 – Unsupported and unallowable Measure H expenditures by subrecipient contracted providers to County Departments and Agencies.

Criteria – Effective and adequate internal controls require that prior to payment of subrecipient contracted provider invoices, adequate assurance on the eligibility and accuracy of Measure H expenditures should be determined, including a review of invoices with sufficient detail to support the costs incurred.

Condition – Based on our detailed testing of FY 2017-18 Measure H expenditures at eleven County Departments and Agencies totaling \$29,840,156, we found \$97,881 in unsupported expenditures and \$17,571 in unallowable expenditures by three County Departments and Agencies, as detailed in the table below:

	Depts/Agencies	Unsupported Expenditures	Unallowable Expenditures	Total
1	CEO	\$ -	\$ -	\$ -
2	DCFS	-	-	-
3	DHS	-	-	-
4	DMH	-	-	-
5	DPH	-	17,353	17,353
6	DPSS	-	-	-
7	PD	-	-	-
8	WDACS	-	-	-
9	CDC	-	-	-
10	HACoLA	-	218	218
11	LAHSA	97,881	-	97,881
	Total	\$ 97,881	\$ 17,571	\$ 115,452

Cause – For FY 2017-18, the CEO determined that it was necessary to disburse Measure H funds to County Departments and Agencies to serve the homeless community without specific written policies and procedures for Measure H expenditure claims as to eliminate administrative barriers at the onset of Measure H implementation with the intention of developing specific fiscal policies and procedures in the future. Thus, the CEO deferred to each County Department and Agency to utilize its existing documentation requirements for subrecipient contracted providers.

Effect – The lack of obtaining adequate assurance on the eligibility and accuracy of Measure H expenditures, including a review of detailed supporting documentation and conducting fiscal monitoring reviews of subrecipient contracted providers, resulted in unsupported/unallowable Measure H claimed costs totaling \$115,452 based on our sample testing.

Recommendation – The CEO should seek reimbursement of the \$115,452 of unsupported/unallowable Measure H claimed costs.

County of Los Angeles
Homeless and Housing Measure H Special Revenue Fund
Status of Prior-Year Audit Findings and Recommendations

Current Year Status -The CEO confirms the following reconciliations were completed after the conclusion of the audit:

Unsupported Expenditures – Los Angeles Homeless Services Authority (LAHSA) - \$97,881

Unallowable Expenditure – Department of Public Health (DPH) - \$17,353

Unallowable Expenditure – The Los Angeles County Development Authority (LACDA), formerly the Housing Authority of the County of Los Angeles - \$218

The CEO did not seek reimbursement for the LAHSA expenditures that were subsequently found to be supported. The CEO sought reimbursement for the unallowable expenditures from DPH and LACDA and both amounts have been reconciled. Thus, this finding is resolved.

Attachment II

COUNTY OF LOS ANGELES

Independent Auditor's Report on Applying Agreed-Upon Procedures

MEASURE H

(Ordinance 2017-001, Chapter 4.73 to the Los Angeles County Code –
Transaction and Use Tax to Prevent and Combat Homelessness)

For the Fiscal Year Ended June 30, 2019



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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Ms. Arlene Barrera
Auditor-Controller
County of Los Angeles
Los Angeles, California

We have performed the procedures enumerated below, which were agreed to by the County of Los Angeles (the County), solely to assist the County in determining whether the eleven County Departments and outside agencies that received Homeless and Housing Measure H (Measure H) Special Revenue Funds were in compliance with the Measure H, Ordinance 2017-001, Chapter 4.73 to the Los Angeles County Code – Transaction and Use Tax to Prevent and Combat Homelessness terms and conditions for the year ended June 30, 2019. The eleven County Departments and outside agencies are as follows: the Chief Executive Office (CEO), the Department of Children and Family Services (DCFS), the Department of Health Services (DHS), the Department of Mental Health (DMH), the Department of Public Health (DPH), the Department of Public Social Services (DPSS), Public Defender (PD), Workforce Development, Aging and Community Services (WDACS), the City of Los Angeles (City of LA), the Los Angeles Community Development Authority (LACDA), and the Los Angeles Homeless Services Authority (LAHSA). The management of the eleven County Departments and outside agencies are responsible for the compliance with the Measure H Ordinance requirements. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results of those procedures are as follows:

1. We performed the agreed-upon test procedures as described below utilizing the American Institute of Certified Public Accountants (AICPA) Sampling Guidelines.

Results

CEO

CEO's Measure H expenditures for the year ended June 30, 2019 consists of payroll costs (28.47%) and non-payroll expenditures (71.53%). Based on the AICPA Sampling Guidelines, we selected a sample size of two months for payroll costs: September 2018 and March 2019 and performed detailed testing of all employees charged to the program. In addition, we selected 25 transactions for non-payroll/program costs, which represented 48.73% of total non-payroll expenditures. No exceptions were found.

DCFS

DCFS' Measure H expenditures for the year ended June 30, 2019 consists of DCFS payroll costs (1%) and subcontractor costs (99%). Based on the AICPA Sampling Guidelines, we randomly

selected 25 subcontractor expense reports equivalent to 39.64% of the total subcontractor costs, and from these expense reports we selected 25 transactions to verify the adequacy of back-up supporting documents, which represented 9.51% of the selected subcontractor expense reports. No exceptions were found.

DHS

DHS' Measure H expenditures for the year ended June 30, 2019 consists of payroll costs (5.53%) and non-payroll expenditures (94.47%). Based on the AICPA Sampling Guidelines, we selected a sample size of one month for payroll costs: March 2019 and performed detailed testing of 31 randomly selected employees charged to the program. In addition, we selected 13 expenditures reports for non-payroll reimbursement contract expenditures and 27 fee-for-service invoice contract expenditures representing 31.39% and 5.12% of the total non-payroll expenditures, respectively. From each expenditure report, we selected one transaction (13 for cost reimbursements and 27 for fee-for-service) to verify the adequacy of supporting back-up documentation. No exceptions were found.

DMH

DMH's Measure H expenditures for the year ended June 30, 2019 consists of payroll costs (91.66%) and subcontractor costs (8.34%). Based on the AICPA Sampling Guidelines, we selected a sample size of four months (one month per quarter) for payroll costs: September 2018, December 2018, March 2019 and June 2019 and performed detailed testing of 18 employees who charged their payroll costs to the program. In addition, we reviewed one month (May 2019) of subcontractor claimed costs, which represented 12.34% of total subcontractor costs. From this claim, we further selected one transaction to verify the adequacy of supporting back-up documentation. No exceptions were found.

DPH

DPH's Measure H expenditures for the year ended June 30, 2019 consists of payroll costs (16.55%) and non-payroll expenditures (83.45%). Based on the AICPA Sampling Guidelines, we selected a sample size of three months for payroll costs: January 2019, February 2019 and March 2019 and performed detailed testing of all employees charged to the program. In addition, we selected 10 transactions for non-payroll contractor costs, which represented 48.50% of total non-payroll contractor expenditures, and 40 non-payroll recipient costs, randomly selected from the months of July 2018 through June 2019, which represented 1.02% of total non-payroll recipient expenditures. The non-payroll recipient costs consist of monthly recurring payments for health services for various clients. No exceptions were found.

DPSS

DPSS' Measure H expenditures for the year ended June 30, 2019 consists of payroll costs (8.84%), non-payroll expenditures (43.42%), and sub-contractor costs (47.74%). Based on the AICPA Sampling Guidelines, we selected a sample size of one month for payroll costs for the month of March 2019 and performed detailed testing of five employees who charged payroll costs to the program. We also selected 40 transactions for non-payroll costs, which represented 0.55% of total non-payroll expenditures. The non-payroll costs consists of recurring rental subsidy payments to various recipients/clients. In addition, we reviewed two months of subcontractor costs, which represented 53.85% of total subcontractor costs. The subcontractor costs represent payments made to subcontractors of the Department of Health Services for the implementation of the Benefit Advocacy Program for People Experiencing Homelessness or at Risk of Homelessness. No exceptions were found.

PD

PD's Measure H expenditures for the year ended June 30, 2019 consists of payroll costs (40%) and non-payroll and subcontractor costs (60%). Based on the AICPA Sampling Guidelines, we selected a sample size of two months: March 2019 and April 2019 and performed detailed testing of four employees (one employee for each position title) who charged payroll to the program. In addition, we randomly selected four non-payroll/subcontractor transactions/costs, which represented 59.42% of the total non-payroll/subcontractor costs. No exceptions were found, except for \$31,544.24 that was overbilled to the Measure H fund due to a duplicate claim of \$53.86 and an erroneous claim of \$31,490.38. Prior to the start our audit fieldwork, PD personnel informed us they identified this overbilling to the Measure H fund, which was an expenditure related to AB 109 ("realignment" bill, which diverts people convicted of certain classes of less serious felonies from State prison to local County jails), and PD had subsequently deducted this overbilled amount from their FY 2019-20 first quarter claimed amount.

WDACS

WDACS Measure H expenditures for the year ended June 30, 2019 consists of payroll costs (9.98%) and subcontractor costs (90.02%). Based on the AICPA Sampling Guidelines, we selected a sample size of one month for payroll costs for the month of March 2019 and performed detailed testing of six employees who charged payroll to the program. In addition, we selected 40 transactions for subcontractor costs, which represented 11.32% of total subcontractor costs. No exceptions were found.

City of LA

The City of LA received \$2.5 million of Measure H Fund, but expended only \$306,215 of non-payroll expenditures as of June 30, 2019. The unspent amount of \$2,193,785 was committed by the City of LA for Homeless Initiative Strategy E8 - Enhance the Emergency Shelter System. Of the spent amount, we reviewed and verified two transactions, which represented 97.3% of the spent amount. No exceptions were found.

LACDA

On May 16, 2019, the County Board of Supervisors merged the operations of the Community Development Commission (CDC) and the Housing Authority of the County of Los Angeles (HACoLA) and renamed the new entity the Los Angeles Community Development Authority (LACDA). LACDA continued the services provided by CDC and HACoLA.

LACDA's expenditures for the year ended June 30, 2019 consists of payroll costs (4.93%) and non-payroll expenditures (95.07%). Based on the AICPA Sampling Guidelines, we selected a sample size of two months for payroll costs: November 2018 and March 2019 and performed detailed testing of all employees charged to the program. In addition, we selected 77 transactions (17 and 60 transactions related to CDC and HACoLA, respectively) for non-payroll costs, which represented 37.76% of total non-payroll expenditures. No exceptions were found.

LAHSA

LAHSA's Measure H expenditures for the year ended June 30, 2019 consists of payroll costs (7.7%) and non-payroll/subcontractor expenditures (92.3%). Based on the AICPA Sampling Guidelines, we selected a sample size of one month of payroll costs for the month of March 2019 and performed detailed testing of 34 randomly selected employees charged to the program. In addition, we selected 60 expenditures reports for non-payroll/subcontractor expenditures, which represented 18.58% of total non-payroll/subcontractor expenditures. From the selected expenditures reports, we further selected 60 individual transactions for detailed testing. In addition to the foregoing detailed test

procedures, we also reviewed LAHSA's monitoring procedures and monitoring reports of its subcontractors to ensure that claimed expenditures were in accordance with the respective contracts/agreements and the expenditures claimed were allowable and within budget of the specific strategies. No exceptions were found.

2. We verified that the Department/Agency or their contractors and subcontractors providing Measure H services maintained:
 - a. Documentation to support the amount billed for providing Measure H program services under their contract.

Results

CEO

For the two months selected, we traced payroll costs to labor distribution reports, we agreed hours charged on the labor distribution report to the timesheets, and agreed pay rates charged on the labor distribution report to pay rates in the employee personnel files. We also confirmed that timesheets were signed by the employee and approved by the supervisor. No exceptions were found.

For the 25 non-payroll transactions selected, we agreed the expenditure to back-up supporting documentation, confirmed that the expenditures were properly approved, and properly recorded in the accounting system. No exceptions were found.

DCFS

For the 25 non-payroll transactions selected, we agreed the expenditure to back-up supporting documentation, confirmed that the expenditures were properly approved, and properly recorded in the accounting system. No exceptions were found.

DHS

For the one month selected, we traced payroll costs to labor distribution reports, we agreed hours charged on the labor distribution report to the timesheets, and agreed pay rates charged on the labor distribution report to pay rates in the employee personnel files. We also confirmed that timesheets were signed by the employee and approved by the supervisor. No exceptions were found.

For the 13 non-payroll transactions for reimbursement contracts and 27 non-payroll transactions for fee-for-service contracts selected for detailed testing, we agreed the expenditure to back-up supporting documentation, confirmed that the expenditures were properly approved, and properly recorded in the accounting system. No exceptions were found.

DMH

For the four months selected, we traced payroll costs to labor distribution reports, we agreed hours charged on the labor distribution report to the timesheets, and agreed pay rates charged on the labor distribution report to pay rates in the employee personnel files. We also confirmed that timesheets were signed by the employee and approved by the supervisor. For the one month of subcontractor/claim selected, we agreed the expenditure to back-up supporting documentation, confirmed that the expenditures were properly approved, and properly recorded in the accounting system. No exceptions were found.

DPH

For the three months selected, we traced payroll costs to labor distribution reports, we agreed hours charged on the labor distribution report to the timesheets, and agreed pay rates charged on the labor distribution report to pay rates in the employee personnel files. We also confirmed that timesheets were signed by the employee and approved by the supervisor. No exceptions were found.

For the 10 non-payroll contractor transactions selected, we agreed the expenditure to back-up supporting documentation, confirmed that the expenditures were properly approved, and properly recorded in the accounting system. No exceptions were found.

For the 40 non-payroll recipient costs transactions selected, we agreed the expenditure to back-up supporting documentation, confirmed that the expenditures were properly approved, and properly recorded in the accounting system. No exceptions were found.

DPSS

For the one month selected, we traced payroll costs to labor distribution reports, we agreed hours charged on the labor distribution report to the timesheets, and agreed pay rates charged on the labor distribution report to pay rates in the employee personnel files. We also confirmed that timesheets were signed by the employee and approved by the supervisor. No exceptions were found.

For the 40 non-payroll transactions (recurring rental subsidy payments) selected, we agreed the expenditure to back-up supporting documentation, confirmed that the expenditures were properly approved, and properly recorded in the accounting system. No exceptions were found.

For the two months selected of subcontractor costs, we agreed the expenditure to backup supporting documentation, confirmed that the expenditures were properly approved, and properly recorded in the accounting system. No exceptions were found.

PD

For the two months selected, we traced payroll costs to labor distribution reports, we agreed payroll costs on the labor distribution report to the pay stubs, and agreed salaries on the labor distribution report to salaries in the employee personnel files. We also confirmed that timesheets were signed by the employee and approved by the supervisor. No exceptions were found.

For the four non-payroll transactions selected, we agreed the expenditure to back-up supporting documentation, confirmed that the expenditures were properly approved, and properly recorded in the accounting system, except for the previously indicated overbilled amount of \$31,544.24, which PD self-identified and deducted from their FY 2019-20 first quarter claimed amount.

WDACS

For the one month selected, we traced payroll costs to labor distribution reports, we agreed hours charged on the labor distribution report to the timesheets, and agreed pay rates charged on the labor distribution report to pay rates in the employee personnel files. We also confirmed that timesheets were signed by the employee and approved by the supervisor. No exceptions were found.

For the 40 subcontractor costs selected, we agreed the expenditure to back-up supporting documentation, confirmed that the expenditures were properly approved, and properly recorded in the accounting system. No exceptions were found.

City of LA

For the two non-payroll/program transactions selected, we agreed the expenditure to back-up supporting documentation, confirmed that the expenditures were properly approved, and properly recorded in the accounting system. No exceptions were found.

LACDA

For the two months selected, we traced payroll costs to labor distribution reports, we agreed hours charged on the labor distribution report to the timesheets, and agreed pay rates charged on the labor distribution report to pay rates in the employee personnel files. We also confirmed that timesheets were signed by the employee and approved by the supervisor. No exceptions were found.

For the 77 non-payroll/program transactions selected, we agreed the expenditure to back-up supporting documentation, confirmed that the expenditures were properly approved, and properly recorded in the accounting system. No exceptions were found.

LAHSA

For the one month payroll costs and the 34 randomly selected employees, we traced payroll costs to labor distribution reports, we agreed hours charged on the labor distribution report to the timesheets, and agreed pay rates charged on the labor distribution report to pay rates in the employee personnel files. We also confirmed that timesheets were signed by the employee and approved by the supervisor. No exceptions were found.

For the 60 non-payroll/subcontractor costs selected for detailed testing, we agreed the expenditures to back-up supporting documentation, confirmed that the expenditures were properly approved, and properly recorded in the accounting system. No exceptions were found.

- b. Records to verify that funds were used for allowable expenditures in compliance with the requirements of Measure H.

Results

CEO

For the two months selected, we confirmed that the payroll costs were specific to the cost of Administration of the Measure H program. No exceptions were found.

For the 25 transactions of non-payroll expenditures selected, we confirmed that the non-payroll expenditures were specific to Strategy E7 – Strengthen the Coordinated Entry System of the Measure H Program. We also reviewed/verified the fiscal year 2017-18 Strategy F7 - One-time Housing Innovation encumbrance, which was reimbursed/paid during fiscal year 2018-19. No exceptions were found.

DCFS

For the 25 transactions of subcontractor costs/expenditures selected, we confirmed that these expenditures were specific to Strategy B6 – Family Reunification Housing Subsidy of the Measure H Program. No exceptions were found.

DHS

For the one month of payroll costs selected and 13 transactions of non-payroll expenditures for reimbursement contracts, and 27 of non-payroll expenditures for fee-for-service contracts, we confirmed with no exceptions that the payroll costs and non-payroll expenditures were specific to the following Measure H strategies.

- Strategy B3 – Partners with Cities to Expand Rapid Re-Housing
- Strategy B7 – Interim/Bridge Housing for those Exiting Institutions
- Strategy C4/C5/C6 – Establish a Countywide SSI Advocacy Program for People Experiencing Homelessness or at Risk of Homelessness
- Strategy D7 – Provides Services and Rental Subsidies for Permanent Supportive Housing
- Strategy E6 – Countywide Outreach System
- Strategy E8 – Enhance the Emergency Shelter

DMH

For the four months of payroll costs selected and one month of subcontractor costs, we confirmed with no exceptions that the payroll costs and subcontractor costs were specific to the following Measure H strategies.

- Strategy B7 – Interim/Bridge Housing for those Exiting Institutions
- Strategy C4/C5/C6 – Establish a Countywide SSI Advocacy Program for People Experiencing Homelessness or at risk of Homelessness
- Strategy D7 – Provide Services and Rental Subsidies for Permanent Supportive Housing
- Strategy E6 – Countywide Outreach System
- Strategy E8 – Enhance the Emergency Shelter System

DPH

For the three months of payroll costs, 10 subcontractor costs, and 40 non-payroll recipient costs transactions selected, we confirmed that the payroll and non-payroll/subcontractor expenditures were specific to Strategy B7 – Interim/Bridge Housing for those Exiting Institutions, Strategy D7 – Provide Services and Rental Subsidies for Permanent Supportive Housing, and Strategy E8 – Enhance the Emergency Shelter System of the Measure H program. No exceptions were found.

DPSS

For the one month of payroll costs, 40 transaction of non-payroll expenditures and two months of subcontractor costs selected, we confirmed that these costs/expenditures were specific to the Strategy B1 - Provide Subsidized Housing to Homeless Disabled Individuals Pursing SSI and Strategy C4 – Establish a Countywide SSI Advocacy Program for People Experiencing Homelessness or at Risk of Homelessness of the Measure H Program. No exceptions were found.

PD

For the two months of payroll costs and four non-payroll/subcontractor costs selected, we confirmed that these costs/expenditures were specific to the Strategy D6 – Criminal Record Clearing Project of the Measure H Program, except for the previously indicated overbilled amount of \$31,544.24, which PD self-identified and deducted from their FY 2019-20 first quarter claimed amount.

WDACS

For the one month of payroll costs and 40 subcontractor costs/expenditures selected, we confirmed that these costs/expenditures were specific to the Strategy C7 – Subsidize Employment for Homeless Adults of the Measure H Program. No exceptions were found.

City of LA

For the two non-payroll/program expenditures selected, we confirmed that these expenditures were specific to Strategy E8 – Enhance the Emergency Shelter System of the Measure H Program. No exceptions were found.

LACDA

For the two months of payroll costs and 77 transactions of non-payroll expenditures selected, we confirmed that the payroll and non-payroll expenditures were specific to Strategy B4 – Facilitate Utilization of Federal Housing and Strategy F7 – Preserve Current Affordable Housing and Promote the Development of Affordable Housing for Homeless Families and Individuals of the Measure H Program. No exceptions were found.

LAHSA

For the one month of payroll costs and 34 selected employees and 60 non-payroll/subcontractor costs, we confirmed with no exceptions that these costs/expenditures were specific to the following Measure H strategies:

- Strategy A1 – Homeless Prevention Programs for Families
 - Strategy A5 – Homeless Prevention Programs for Individuals
 - Strategy B3 – Partners with Cities to Expand Rapid Re-Housing
 - Strategy B7 – Interim/Bridge Housing for those Exiting Institutions
 - Strategy E6 – Countywide Outreach System
 - Strategy E7 – Strengthen the Coordinated Entry System
 - Strategy E8 – Enhance the Emergency Shelter System
 - Strategy E14 – Enhanced Services for Transition Age Youth
- c. Internal controls over financial reporting and compliance with provisions of laws, regulations, contracts or grant agreements.

Results

CEO

For the two months of payroll costs and 25 transactions of non-payroll expenditures selected, the supporting documents showed evidence of being reviewed and properly authorized, and the expenditures tested complied with the Measure H Expenditure Plan approved by the Board of Supervisors for FY 2018-19. No exceptions were found.

DCFS

For the 25 transactions of subcontractor costs/expenditures selected, the supporting documents showed evidence of being reviewed and properly authorized, and the expenditures tested complied with the Measure H Expenditure Plan approved by the Board of Supervisors for FY 2018-19. No exceptions were found.

DHS

For the one month of payroll costs selected, the supporting documents showed evidence of being reviewed and properly authorized, and the expenditures tested complied with the Measure H

Expenditure Plan approved by the Board of Supervisors for FY 2018-19. No exceptions were found.

For the 13 non-payroll expenditures selected for reimbursement contracts and 27 non-payroll expenditures selected for fee-for-service contracts, the supporting documents showed evidence of being reviewed and properly authorized, and the expenditures tested complied with the Measure H Expenditure Plan approved by the Board of Supervisors for FY 2018-19. No exceptions were found.

DMH

For the four months of payroll costs selected, the supporting documents showed evidence of being reviewed and properly authorized, and the expenditures tested complied with the Measure H Expenditure Plan approved by the Board of Supervisors for FY 2018-19. No exceptions were found.

For the one month of subcontractor cost selected, the supporting documents showed evidence of being reviewed and properly authorized, and the expenditures tested complied with the Measure H Expenditure Plan approved by the Board of Supervisors for FY 2018-19. No exceptions were found.

DPH

For the three months of payroll costs, 10 non-payroll contractor costs, and 40 non-payroll recipient costs transaction selected, the supporting documents showed evidence of being reviewed and properly authorized, and the expenditures tested complied with the Measure H Expenditure Plan approved by the Board of Supervisors for FY 2018-19. No exceptions were found.

DPSS

For the one month of payroll costs and 40 transaction of non-payroll expenditures selected, the supporting documents showed evidence of being reviewed and properly authorized, and the expenditures tested complied with the Measure H Expenditure Plan approved by the Board of Supervisors for FY 2018-19. No exceptions were found.

For the two months of subcontractor costs selected, the supporting documents showed evidence of being reviewed and properly authorized, and the expenditures tested complied with the Measure H Expenditure Plan approved by the Board of Supervisors for FY 2018-19. No exceptions were found.

PD

For the two months of payroll costs and four transactions of non-payroll/subcontractor costs selected, the supporting documents showed evidence of being reviewed and properly authorized, and the expenditures tested complied with the Measure H Expenditure Plan approved by the Board of Supervisors for FY 2018-19, except for the previously indicated overbilled amount of \$31,544.24, which PD self-identified and deducted from their FY 2019-20 first quarter claimed amount.

WDACS

For the one month of payroll costs selected, the supporting documents showed evidence of being reviewed and properly authorized, and the expenditures tested complied with the Measure H Expenditure Plan approved by the Board of Supervisors for FY 2018-19. No exceptions were found.

For the 40 transactions of subcontractor costs/expenditures selected, the supporting documents showed evidence of being reviewed and properly authorized, and the expenditures tested complied with the Measure H Expenditure Plan approved by the Board of Supervisors for FY 2018-19. No exceptions were found.

City of LA

For the two non-payroll/program costs expenditures selected, the supporting documents showed evidence of being reviewed and properly authorized, and the expenditures tested complied with the Measure H Expenditure Plan approved by the Board of Supervisors for FY 2018-19. No exceptions were found.

LACDA

For the two months of payroll costs and 77 transactions of non-payroll expenditures selected, the supporting documents showed evidence of being reviewed and properly authorized, and the expenditures tested complied with the Measure H Expenditure Plan approved by the Board of Supervisors for FY 2018-19. No exceptions were found.

LAHSA

For the one month of 34 employee payroll costs selected, the supporting documents showed evidence of being reviewed and properly authorized, and the expenditures tested complied with the Measure H Expenditure Plan approved by the Board of Supervisors for FY 2018-19. No exceptions were found.

For the 60 non-payroll/subcontractor expenditures selected, the supporting documents showed evidence of being reviewed and properly authorized, and the expenditures tested complied with the Measure H Expenditure Plan approved by the Board of Supervisors for FY 2018-19. No exceptions were found.

- d. Minimum encryption standards required by the County of Los Angeles Board of Supervisors' Policy 5.200, Contractor Protection of Electronic County Information (July 2016).

Results

We found that all 11 County Departments and outside Agencies complied with minimum encryption standards required by the County of Los Angeles Board of Supervisors' Policy 5.200, Contractor Protection of Electronic County Information (July 2016).

3. We verified that the Measure H funds are being used for the specific strategies approved by the Board.

Results

CEO

CEO was allocated \$1,830,000 of Measure H funds to be used for Administration of the Measure H program and \$3,500,000 of Measure H funds to be used for Strategy E7 – Strengthen the Coordination Entry System of the Measure H program based on the Measure H Expenditure Plan approved by the Board of Supervisors in FY 2018-19. The CEO was also reimbursed its fiscal year 2017-18 Strategy F7 - One-time Housing Innovation Fund encumbrance of \$131,113 during fiscal year 2018-19.

CEO hired a Contractor to launch a competition that attracts innovative proposals to expedite the development process and lower the cost of constructing homeless/affordable housing. The Contractor is responsible for the design, implementation and management of the grant competition program. The solicitation is expected to yield four to five projects that will be funded through Strategy E7 to produce prototypes that can potentially be brought to scale with future funding.

CEO’s Measure H expenditures in FY 2018-19 totaled \$1,786,398, \$103,885 and \$131,113 and were used for Administration, Strategy E7 – Strengthen the Coordination Entry System, and F7 - One-time Housing Innovation Fund of the Measure H program, respectively. No exceptions were found.

DCFS

DCFS was allocated \$2,000,000 of Measure H funds to be used for Strategy B6 – Family Reunification Housing Subsidies based on the Measure H Expenditure Plan approved by the Board of Supervisors in FY 2018-19.

DCFS implemented the County-wide Family Reunification Housing Subsidy (FRHS) program to provide rapid rehousing and case management services to families in the child welfare system where the parent(s) homelessness is the sole barrier for the return of the children. For FY 2018-19, DCFS had four Homeless Services Section staff to work on Strategy B6 - Family Reunification Housing Subsidies. DCFS’ Program Staff act as liaison for Housing Agency staff, Dependency Court and Case Carrying Certified Social Workers to provide assistance, trouble shooting, and guidance with the FRHS referral process and services; tracks all data and provides monthly updates on status of each family; facilitates monthly meetings with housing agencies, Community Development Commission, and Dependency Court; tracks deliverables and program outcomes.

DCFS’ Measure H expenditures in FY 2018-19 totaled \$2,000,000 and were specific for Strategy B6 – Family Reunification Housing Subsidies. No exceptions were found.

DHS

DHS was allocated \$144,290,000 of Measure H funds to be used for the following six strategies:

Strategy	Measure H Allocation
B3 Partner with Cities to Expand Rapid Re-Housing	\$ 15,304,000
B7 Interim/Bridge Housing for those Exiting Institutions	16,715,000
C4/C5/C6 Establishing a Countywide SSI Advocacy Program for People Experiencing Homelessness or At-Risk of Homelessness	7,131,000
D7 Provide Services and Rental Subsidies for Permanent Supportive Housing	45,999,000
E6 Countywide Outreach System	21,759,000
E8 Enhance the Emergency Shelter System	37,382,000
Total	<u>\$ 144,290,000</u>

Under Strategy B3, DHS provides a time-limited intervention including financial assistance/subsidies and supportive services so that participants will be able to successfully maintain housing without long-term assistance.

Under Strategy B7, DHS provides clients with complex health and/or behavioral health conditions who need a higher level of support services than is available in most shelter settings. Interim housing includes stabilization housing and recuperative care. Some interim housing programs provide enhanced onsite mental health services.

Under Strategy C4/C5/C6, DHS expands and integrates physical and mental health clinical services to support County-wide Benefits Entitlements Services Team, including technical assistance, training, case consultation, record retrieval services, care coordination and comprehensive evaluations.

Under Strategy D7, DHS increases existing work orders and executes new work orders with Supportive Housing Services Master Agreement vendors to provide Intensive Case Management Services.

Under Strategy E6, DHS aims at improving outreach efforts to homeless individuals and families on the streets and in encampments in Los Angeles County. DHS developed a dispatch and tracking technology infrastructure for outreach requests, expanded Service Planning Area (SPA)-level and macro coordination of outreach teams through Coordinated Entry System Outreach Coordinators, launch and implemented Multidisciplinary Outreach teams to better assist unsheltered homeless individuals through expanded multidisciplinary outreach capacity, and support and expand general outreach staffing in all SPAs to further support outreach bandwidth.

Under Strategy E8, DHS provides interim housing to serve clients with complex health and/or behavioral health conditions who need a higher level of support services than is available in most shelter settings.

DHS' Measure H expenditures in FY 2018-19 totaled \$127,384,630 and were specific for the strategies listed below. No exceptions were found.

Strategy	Measure H Expenditures
B3 Partner with Cities to Expand Rapid Re-Housing	\$ 15,304,000
B7 Interim/Bridge Housing for those Exiting Institutions	16,703,000
C4/C5/C6 Establish a Countywide SSI Advocacy Program for People Experiencing Homelessness or At-Risk of Homelessness	5,627,051
D7 Provide Services and Rental Subsidies for Permanent Supportive Housing	45,999,000
E6 Countywide Outreach System	21,731,000
E8 Enhance the Emergency Shelter System	22,020,579
Total	<u>\$ 127,384,630</u>

DMH

DMH was allocated \$3,420,000 of Measure H funds to be used for the following five strategies:

Strategy	Measure H Allocation
B7 Interim/Bridge Housing for those Exiting Institutions	\$ 65,000
C4/C5/C6 Countywide Supplemental Security/Social Security Disability Income and Veterans Benefits Advocacy for People Experiencing Homelessness or At-Risk of Homelessness	949,000
D7 Provide Services and Rental Subsidies for Permanent Supportive Housing	2,193,000
E6 Countywide Outreach System	147,000
E8 Enhance the Emergency Shelter System	66,000
Total	<u>\$ 3,420,000</u>

Under Strategy B7, DMH serves clients with complex health and/or behavioral health conditions who need a higher level of support services than is available in most shelter settings. Interim housing includes stabilization housing and recuperative care. Some interim housing programs provide enhanced onsite mental health services.

Under Strategy C4/C5/C6, DMH expands and integrates physical and mental health clinical services to support Countywide Benefits Entitlements Services Team, including technical assistance, training, case consultation, record retrieval services, care coordination and comprehensive evaluations.

Under Strategy D7, DMH provides a local rent subsidy to ensure that housing units are affordable to people who are homeless. All strategy D7 clients receive Intensive Case Management Services and is matched to a rental subsidy. Based on client need, clients receive specialty mental health services through the Housing Full Service Partnership Program, in addition to substance use disorder outreach and assessment and service navigation.

Under Strategy E6, DMH is part of the Multidisciplinary Outreach Team to better assist unsheltered homeless individuals through expanded multidisciplinary outreach capacity.

Under Strategy E8, DMH provides interim housing to serve clients with complex health and/or behavioral health conditions who need a higher level of support services than is available in most shelter settings.

DMH’s Measure H expenditures in FY 2018-19 totaled \$2,687,144 and were specific for the strategies listed below. No exceptions were found.

Strategy		Measure H Expenditures
B7	Interim/Bridge Housing for those Exiting Institutions	\$ 64,426
C4/C5/C6	Establish a Countywide SSI Advocacy Program for People Experiencing Homelessness or At-Risk of Homelessness	948,967
D7	Provide Services and Rental Subsidies for Permanent Supportive Housing	1,520,443
E6	Countywide Outreach System	89,465
E8	Enhance the Emergency Shelter System	63,843
Total		<u>\$ 2,687,144</u>

DPH

DPH was allocated \$4,403,000 of Measure H funds to be used for Strategy B7 – Interim/Bridge Housing for those Existing Institutions of the Measure H Program, \$1,108,000 of Measure H funds to be used for Strategy D7 – Provide Services and Rental Subsidies for Permanent Supportive Housing of the Measure H Program, and \$618,000 of Measure H funds to be used for Strategy E8 – Enhance the Emergency Shelter System of the Measure H Program based on the Measure H Expenditure Plan approved by the Board of Supervisors in FY 2018-19.

Under Strategy B7, DPH Substance Abuse Prevention and Control (SAPC) Recovery Bridge Housing (RBH) serves individuals who are homeless at treatment discharge and who choose abstinence-based housing for up to 90 days. Under Strategy D7, DPH supports the increase in access to supportive housing by funding high quality tenant services and, when necessary, a local rent subsidy to ensure that housing units are affordable to people who are homeless. Under Strategy E8, DPH provides support to Enhance the Emergency Shelter System,

DPH's Measure H expenditures in FY 2018-19 totaled \$4,403,000, \$315,052, and \$528,463 and were specific for Strategy B7 – Interim/Bridge Housing for those Existing Institutions, Strategy D7 – Provide Services and Rental Subsidies for Permanent Supportive Housing, and Strategy E8 – Enhance the Emergency Shelter System of the Measure H Program, respectively. No exceptions were found.

DPSS

DPSS was allocated \$6,258,000 of Measure H funds to be used for Strategy B1 – Provide Subsidized Housing to Homeless Disabled Individuals Pursuing SSI and \$4,600,000 of Measure H funds to be used for Strategy C4/C5/C6 – Establish a Countywide SSI Advocacy Program for People Experiencing Homelessness or At-Risk of Homelessness based on the Measure H Expenditure Plan approved by the Board of Supervisors in FY 2018-19.

Under Strategy B1, DPSS provides subsidized housing for the homeless and those at risk of homelessness. To be eligible, participants must meet the General Relief “GR” requirements and receive GR funds. Participation in the program is voluntary and the participant is responsible for finding their own housing where the landlord has to agree to the program as well. Once the participant finds housing and has all the required paperwork, the agency verifies that it is a dwelling unit. The agency pays \$475/month (\$950/month for couple cases) directly to the landlord from Measure H funds and \$100 is deducted from the participant's GR check and also goes towards the rent and is paid directly to the landlord. The maximum amount of rent covered by the agency is \$575/month. Any changes to the participant's housing status is reported to the GR case worker.

Under Strategy C4, DPSS will expand and integrate physical and mental health clinical services to support Countywide Benefits Entitlements Services Team, including technical assistance, training, case consultation, record retrieval services, care coordination and comprehensive evaluations.

DPSS' Measure H expenditures in FY 2018-19 totaled \$3,807,640 and \$3,478,120 and were specific for Strategy B1 – Provide Subsidized Housing to Homeless Disabled Individuals Pursuing SSI and Strategy C4 – Establish a Countywide SSI Advocacy Program for People Experiencing Homelessness or At-Risk of Homelessness, respectively. No exceptions were found.

PD

PD was allocated \$1,880,000 of Measure H funds to be used for Strategy D6 – Criminal Record Clearing Project based on the Measure H Expenditure Plan approved by the Board of Supervisors in FY 2018-19.

Under Strategy D6, PD provided field-based service to homeless and formerly homeless adults who have criminal records by connecting them with legal services to assist with record clearing and other legal barriers to achieving stable housing and employment.

PD's Measure H expenditures in FY 2018-19 totaled \$1,159,469 and were specific for Strategy D6 – Criminal Record Clearing Project, except for the previously indicated overbilled amount of \$31,544.24, which PD self-identified and deducted from their FY 2019-20 first quarter claimed amount.

WDACS

WDACS was allocated \$5,150,000 of Measure H funds to be used for Strategy C7 – Subsidized Employment for Homeless Adults based on the Measure H Expenditure Plan approved by the Board of Supervisors in FY 2018-19. WDACS was also reimbursed of their fiscal year 2017-2018 Strategy

C7 – Subsidized Employment for Homeless Adults encumbrance of \$73,068 during fiscal year 2018-19.

Under Strategy C7, WDACS provided Transitional Employment Services to Los Angeles County residents who experience multiple barriers to employment, including those who are homeless, former offenders and/or disconnected youth (Job Seekers and Participants). Funding for this strategy expands existing workforce development models, such as the Los Angeles Regional Initiative Enterprise, throughout the County to provide transitional subsidized employment services to homeless individuals.

WDACS's Measure H expenditures in FY 2018-19 totaled \$5,233,068, including the fiscal year 2017-18 encumbrance of \$73,068 and were specific for Strategy C7 – Subsidized Employment for Homeless Adults. No exceptions were found.

City of LA

The City of LA was allocated \$2,500,000 of Measure H funds to be used for Strategy E8 – Enhance the Emergency Shelter System of Measure H program based on the Measure H Expenditure Plan approved by the Board of Supervisors in FY 2018-19.

Under Strategy E8, the City of LA is to use the funding to finance the development and construction of two (2) tension membrane structures and four (4) modular trailers to accommodate beds for one hundred (100) individuals and site amenities.

The County disbursed \$2,500,000 to the City of LA for Strategy E8 – Enhance the Emergency Shelter System of Measure H program. As of June 30, 2019, City of LA's Measure H actual expenditures totaled \$306,215, and due to delays related to site clean-up, was expected to close construction in February 2020. The remaining \$2,193,785 of the \$2,500,000 is maintained in the City of LA's Capital Improvement Expenditure Program accounts. The funds are committed to the agreed upon Measure H Homeless Initiative Strategy E8 Project. No exceptions were found.

LACDA

On May 16, 2019, the County Board of Supervisors rebranded the two agencies the Community Development Commission (CDC) and Housing Authority of the County of Los Angeles (HACOLA), which received Measure H funds in prior fiscal year, under the new name "Los Angeles Community Development Authority" (LACDA). For the year ended June 30, 2019, the County disbursed to LACDA \$11,627,000 for Measure H eligible Homeless Initiative Strategy B4 - Subsidize Housing/Facilitate Utilization of Federal Housing Subsidies and \$15 million to finance the development and preservation of homeless housing through the Commission's Notice of Funding Availability (NOFA) process. The \$15,000,000 funding will be used to support the development and preservation of homeless housing in areas of the County where there is an urgent need for housing under Measure H eligible Homeless Initiative Strategy F7 - Preserve Current Affordable Housing and Promote the Development of Affordable Housing for Homeless Families and Individuals.

The \$11,627,000 amount allocated for strategy B4 was fully spent during fiscal year 2018-19 for Strategy B4 – Subsidize Housing/Facilitate Utilization of Federal Housing Subsidies.

The County disbursed \$15,000,000 to LACDA in FY 2018-19 for Strategy F7, and of the \$15,000,000 disbursed to LACDA, \$1,200,000 was allocated for administrative costs and \$13,800,000 was allocated for capital funding through the LACDA's NOFA process for Strategy F7 - Preserve Current Affordable Housing and Promote the Development of Affordable Housing for

Homeless Families and Individuals of the Measure H program. LACDA’s Measure H actual expenditures totaled \$6,098,250, which comprised of \$5,656,191 in capital funding and \$442,059 in administrative costs under Strategy F7. No exceptions were found.

LAHSA

LAHSA was allocated \$204,057,000 of Measure H funds to be used for the following eight strategies:

Strategy		Measure H Allocation
A1	Homeless Prevention Programs for Families	\$ 6,000,000
A5	Homeless Prevention Programs for Individuals	11,000,000
B3	Partner with Cities to Expand Rapid Re-Housing	57,696,000
B7	Interim/Bridge Housing for those Exiting Institutions	5,086,000
E6	Countywide Outreach System	8,211,000
E7	Strengthen the Coordinated Entry System	35,500,000
E8	Enhance the Emergency Shelter System	61,564,000
E14	Enhanced Services for Transition Age Youth	19,000,000
Total		<u>\$ 204,057,000</u>

Under Strategy A1, the funding is dedicated to shelter diversion services within Coordinated Entry System (CES) for families. This will allow CES for family providers to have specialized diversion staff and limited financial assistance to help families identify alternative housing arrangements outside the homeless system or return to a community of care outside of Los Angeles County.

Under Strategy A5, LAHSA provides screening and a targeted intervention to single adults and youth who are currently at risk of becoming homeless and have been screened and identified as having high risk factors.

Under Strategy B3, LAHSA provides time-limited intervention, including financial assistance/subsidies and supportive services so that participants will be able to successfully maintain housing without long-term assistance.

Under Strategy B7, LAHSA increases the bed rate for these shelters specifically reserved for people exiting institutions allows for a specialized level of care at the facilities. These are safe, reserved, low-barrier and supportive 24-hour interim housing beds for persons exiting institutions but who are not in need of specialized and high-level care.

Under Strategy E6, LAHSA aims at improving outreach efforts to homeless individuals and families on the streets and in encampments in Los Angeles County. LAHSA developed a dispatch and tracking technology infrastructure for outreach requests, expanded Service Planning Area (SPA)-level and macro coordination of outreach teams through Coordinated Entry System Outreach Coordinators, launch and implemented Multidisciplinary Outreach teams to better assist unsheltered homeless individuals through expanded multidisciplinary outreach capacity, and support and expand general outreach staffing in all SPAs to further support outreach bandwidth.

Under Strategy E7, with the implementation of the Coordinated Entry System, all people in need of housing and services can be screened, triaged, and connected to resources, based upon service need and availability. LAHSA will expand regional coordination for each population system, create domestic violence liaisons, expand housing navigation, create housing location program, create

training academy and provisions of technical assistance to agencies, create legal services system, and create a representative payee program.

Under Strategy E8, LAHSA increases the bed rate for LAHSA’s existing shelters allow for higher quality services in the shelters resulting in better outcomes. Adding beds to the system decreases the gap in shelter services and these safe, low-barrier and supportive 24-hour crisis housing beds are designed to facilitate permanent housing placement.

Under Strategy E14, the funding will expand and enhance the resources to house and serve transitional age youth experiencing homelessness.

The County disbursed \$171,691,610 to LAHSA in FY 2018-19, and LAHSA’s Measure H expenditures in FY 2018-19 totaled \$175,666,385 and were specific for the strategies listed below. No exceptions were found.

Strategy		Measure H Disbursement by the County	Measure H Actual Expenditures	Difference
A1	Homeless Prevention Programs for Families	\$ 5,148,395	\$ 5,091,369	\$ 57,026
A5	Homeless Prevention Programs for Individuals	8,064,777	8,234,921	(170,144)
B3	Partner with Cities to Expand Rapid Re-Housing	47,439,938	49,389,514	(1,949,576)
B7	Interim/Bridge Housing for those Exiting Institutions	4,291,118	4,316,412	(25,294)
E6	Countywide Outreach System	6,144,978	6,282,046	(137,068)
E7	Strengthen the Coordinated Entry System	27,404,637	28,010,783	(606,146)
E8	Enhance the Emergency Shelter System	57,398,896	58,485,977	(1,087,081)
E14	Enhanced Services for Transition Age Youth	15,798,871	15,855,363	(56,492)
Total		<u>\$ 171,691,610</u>	<u>\$ 175,666,385</u>	<u>\$ (3,974,775)</u>

The \$3,974,775 difference represents fourth quarter subcontractor expenditures which were submitted late and were not included in the County’s FY 2018-19 actual expenditures. These expenditures will be reported by the County as FY 2019-20 Measure H expenditures.

- We verified that the service levels reported for each Department and Agency are accurate and that the funds were used for the specific purpose of each strategy.

Results

CEO

Based on our procedures performed for the two months of payroll/administrative costs and 25 transactions of non-payroll/program expenditures selected, the service levels reported by CEO were accurate and the funds were used for the specific purpose of the Measure H strategy. No exceptions were found.

DCFS

Based on our procedures performed for the 25 transactions of non-payroll/subcontractor expenditures selected, the service levels reported by DCFS were accurate and the funds were used for the specific purpose of the Measure H strategy. No exceptions were found.

DHS

For the one month of payroll costs, 13 non-payroll reimbursement contract costs, and 27 non-payroll fee-for-service costs selected, the service levels reported by DHS were accurate and the funds were used for the specific purpose of the Measure H strategies. No exceptions were found.

DMH

Based on our procedures performed for the four months of payroll cost and one month of subcontractor costs selected, the service levels reported by DMH were accurate and the funds were used for the specific purpose of the Measure H strategy. No exceptions were found.

DPH

For the three months of payroll costs, 10 non-payroll contractor costs, and 40 non-payroll recipient costs selected, the service levels reported by DPH were accurate and the funds were used for the specific purpose of the Measure H strategy. No exceptions were found.

DPSS

For the one month of payroll costs, 40 transactions of non-payroll expenditures and two months of sub-contractor's cost selected, the service levels reported by DPSS were accurate and the funds were used for the specific purpose of the Measure H strategy. No exceptions were found.

PD

For the two months of payroll costs and four transactions of non-payroll/subcontractor costs selected, the service levels reported by PD were accurate and the funds were used for the specific purpose of the Measure H strategy, except for the previously indicated overbilled amount of \$31,544.24, which PD self-identified and deducted from their FY 2019-20 first quarter claimed amount.

WDACS

For the one month of payroll costs and 40 transactions of subcontractor costs selected, the service levels reported by WDACS were accurate and the funds were used for the specific purpose of the Measure H strategy. No exceptions were found.

City of LA

Based on our procedures performed for the two transactions of non-payroll/program expenditures selected, the service levels reported by City of LA were accurate and the funds were used for the specific purpose of the Measure H strategy. No exceptions were found.

LACDA

Based on our procedures performed for the two months of payroll costs and 77 transactions of non-payroll expenditures selected, the service levels reported by LACDA were accurate and the funds were used for the specific purpose of the Measure H strategy. No exceptions were found.

LAHSA

For the one month of payroll costs and 60 non-payroll/subcontractor costs/expenditures selected, the service levels reported by LAHSA were accurate and the funds were used for the specific purpose of the Measure H strategies. No exceptions were found.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively on the eleven County Departments' and outside agencies' compliance with the Measure H, Ordinance 2017-001, Chapter 4.73 to the Los Angeles County Code – Transaction and Use Tax to Prevent and Combat Homelessness for the year ended June 30, 2019. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the County of Los Angeles and the Chief Executive Office, the Department of Children and Family Services, the Department of Health Services, the Department of Mental Health, the Department of Public Health, the Department of Public Social Services, Public Defender, Workforce Development, Aging and Community Services, the City of Los Angeles, the Los Angeles Community Development Authority, and the Los Angeles Homeless Services Authority, and is not intended to be, and should not be used by anyone other than these specified parties.

BCA Watson Rice, LLP

Torrance, CA
December 5, 2019