



ARLENE BARRERA  
AUDITOR-CONTROLLER

# COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

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February 14, 2020

TO: Each Supervisor  
FROM: Arlene Barrera, Auditor-Controller *Arlene Barrera*  
SUBJECT: **LOS ANGELES COUNTY DEVELOPMENT AUTHORITY – HOMELESS INITIATIVE – STRATEGY B4: FACILITATE UTILIZATION OF FEDERAL HOUSING SUBSIDIES – PERFORMANCE DATA AND EXPENDITURES REVIEW**

With the support and active participation of the Chief Executive Office (CEO) and the Los Angeles County Development Authority (LACDA), we have completed a review of LACDA's Homeless Initiative – Strategy B4: Facilitate Utilization of Federal Housing Subsidies (Strategy B4) performance data and expenditures. In collaboration with the CEO, LACDA serves as the lead agency in providing Strategy B4 services. Strategy B4 utilizes Measure H funding to support LACDA's Homeless Incentive Program (HIP), which offers monetary incentives to encourage landlords to rent their available units to homeless Section 8 voucher holders.

LACDA's Strategy B4 expenditures were allowable, supported, and used for HIP services as required. However, we identified opportunities where LACDA can improve and strengthen controls over Strategy B4 services. For example, LACDA could not readily provide the detailed supporting documentation for their July through September 2018 performance data. After our review, LACDA was able to assess and analyze their existing data to identify and provide the requested supporting documentation. However, LACDA should develop policies and procedures to ensure the appropriate documentation is always maintained and readily available.

These enhancements will provide greater assurance that LACDA has the appropriate procedures over Strategy B4 data to ensure the performance metrics are reported accurately.

For details of our review, please see Attachment I. LACDA's response indicates agreement with our findings and recommendations and is included in Attachment II.

We thank LACDA management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Terri Kasman at (213) 253-0301.

AB:PH:TK:JH

Attachments

- c: Sachi A. Hamai, Chief Executive Officer
- Emilio Salas, Acting Director, Los Angeles County Development Authority
- Audit Committee

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| NUMBER OF RECOMMENDATIONS |   |
|---------------------------|---|
| PRIORITY 1                | 0 |
| PRIORITY 2                | 1 |
| PRIORITY 3                | 1 |

**FAST FACTS**

LACDA serves as the lead agency in providing Strategy B4 services, which utilizes Measure H funding to support LACDA's HIP.

HIP offers monetary incentives to encourage landlords to rent their available units to homeless Section 8 voucher holders.

CEO advanced LACDA approximately \$4.5 million, of which LACDA utilized approximately \$4 million from October 2017 through September 2018.

REPORT #X19910

# LOS ANGELES COUNTY AUDITOR-CONTROLLER

Attachment I  
Page 1 of 2

**Peter Hughes**  
ASSISTANT AUDITOR-CONTROLLER

**Terri Kasman**  
DIVISION CHIEF

## COUNTYWIDE CONTRACT MONITORING DIVISION

Report #X19910

### LOS ANGELES COUNTY DEVELOPMENT AUTHORITY HOMELESS INITIATIVE – STRATEGY B4 FACILITATE UTILIZATION OF FEDERAL HOUSING SUBSIDIES PERFORMANCE DATA AND EXPENDITURES REVIEW

#### BACKGROUND AND AUDIT SCOPE

In collaboration with the Chief Executive Office (CEO), the Los Angeles County Development Authority (LACDA) serves as the lead agency in providing Homeless Initiative – Strategy B4: Facilitate Utilization of Federal Housing Subsidies (Strategy B4) services. Strategy B4 utilizes Measure H funding to support LACDA’s Homeless Incentive Program, which offers monetary incentives to encourage landlords to rent their available units to homeless Section 8 voucher holders. Incentives include vacancy payments to landlords to hold housing units, participant move-in costs such as security and utility deposits, and financial assistance for damage claims caused by tenants. The CEO advanced LACDA approximately \$4.5 million to provide Strategy B4 services, of which LACDA utilized approximately \$4 million from October 2017 through September 2018.

We reviewed a sample of transactions from July through September 2018 to determine whether LACDA appropriately accounted for and spent Strategy B4 funds. In addition, we reviewed LACDA’s Strategy B4 performance data for July through September 2018 to ensure the data was adequately supported with documentation.

#### TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION

##### ISSUE

##### RECOMMENDATION

|   |  |   |
|---|--|---|
| 1 | <p><b>Supporting Documentation for Performance Data</b> - LACDA submits their Strategy B4 performance data to the CEO quarterly. During our review, LACDA could not readily provide the detailed supporting documentation for their July through September 2018 performance data. Specifically, LACDA did not maintain point-in-time details for the reporting period (i.e. July through September 2018) and instead, maintained real-time, running totals. As a result, LACDA could not readily generate reports to support the data for the specified timeframe.</p> <p>After our review, LACDA was able to assess and analyze their existing data to identify and provide the requested supporting documentation. However, LACDA should develop policies and procedures to ensure the appropriate documentation is always maintained and readily available.</p> <p><b>Impact:</b> Increased risk of inaccurate and/or unsupported performance data.</p> | <p><b>Priority 2</b> – LACDA management develop policies and procedures to ensure adequate documentation to support their reported performance data is appropriately maintained and readily available upon request.</p> <p><b>LACDA Response: Agree</b><br/>Implementation Date: October 2019</p> |
|---|--|---|

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

| <b>TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION</b>  |  |
|---|--|
| <b>ISSUE</b>  | <b>RECOMMENDATION</b>  |
| <p><b>2</b> <b>Support for Quarterly Expenditure Reports</b> - LACDA provides cash advances to their contracted Public Housing Agencies (PHAs) to ensure funds are readily available to provide Strategy B4 services. The PHAs spend down and track the funds in their quarterly expenditure reports submitted to LACDA, which are in turn reported to the CEO. However, we noted that LACDA does not require the PHAs to provide supporting documentation, such as detailed accounting records, at the time the quarterly expenditure reports are submitted.</p> <p>It should be noted that we conducted Fiscal Year 2018-19 monitoring reviews for LACDA's two largest contracted PHAs and determined that the PHAs' Strategy B4 expenditures were allowable, supported, and used for their intended purposes. However, to enhance assurance over the accuracy/appropriateness of the quarterly expenditure reports, LACDA should require that PHAs provide supporting documentation with the reports.</p> <p><b>Impact:</b> Increased risk of inaccurate and/or inappropriate financial reporting.</p> | <p><b>Priority 3</b> - LACDA management require additional information, such as the PHAs' accounting records, to be submitted with the quarterly expenditure reports.</p> <p><b>LACDA Response: Agree</b><br/>Implementation Date: November 2019</p> |

We conducted our review in conformance with the International Standards for the Professional Practice of Internal Auditing. For more information on our auditing process, including recommendation priority rankings, the follow-up process, and management's responsibility for internal controls, visit <https://auditor.lacounty.gov/audit-process-information/>

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



January 22, 2020

Arlene Barrera, Auditor-Controller  
County of Los Angeles  
Department of Auditor-Controller  
Countywide Contract Monitoring Division  
350 South Figueroa Street, 8<sup>th</sup> Floor  
Los Angeles, CA 90071

**SUBJECT: RESPONSE TO LOS ANGELES COUNTY DEVELOPMENT AUTHORITY (LACDA) HOMELESS INITIATIVE - STRATEGY B4: FACILITATE UTILIZATION OF FEDERAL HOUSING SUBSIDIES PERFORMANCE DATA AND EXPENDITURES REVIEW**

Dear Ms. Barrera:

This letter is in response to the results of the Performance Data and Expenditures Review conducted by the Los Angeles County Auditor-Controller's Office. The results of the review received by the LACDA cited two recommendations related to opportunities where we can improve and strengthen controls over Strategy B4 services.

**Recommendation #1:**

The first recommendation resulted from the LACDA not readily providing the detailed supporting documentation for our July through September 2018 performance data. It was recommended that the LACDA develop policies and procedures to ensure adequate documentation to support our reported performance data is appropriately maintained and readily available upon request.

**LACDA's Response:** The LACDA management agrees with the recommendation. The LACDA agreed to establish a procedure to require the submission of statistical reports utilized in preparing the Homeless Initiative – Strategy B4 quarterly performance data to the Chief Executive Office by all Public Housing Agencies (PHAs) including LACDA. On August 19, 2019, the LACDA instructed all PHAs when submitting their quarterly report to make certain that the time and date is printed on the report to ensure that the reporting period reflects point-in-time details that correlates with their data. The implementation occurred within the 1<sup>st</sup> quarter reporting period; thus, quarterly reports received on or after October 1, 2019, are complying with the new procedures.



lacda.org

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Acting Executive Director: Emilio Salas

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



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**Recommendation #2:**

The second recommendation relates to support for quarterly expenditure reports. It was noted that the LACDA does not require the PHAs to provide supporting documentation, such as detailed accounting records at the time the quarterly expenditure reports are submitted. To enhance assurance over the accuracy/appropriateness of the quarterly expenditure reports, the LACDA should require that PHAs provide supporting documentation with the reports.

**LACDA's Response:** The LACDA management agrees with the recommendation. LACDA established a procedure to require all PHAs to submit general ledger reports when requesting reimbursements for Strategy B4 expenditures. The LACDA notified PHAs that all required quarterly reports must be submitted to LACDA by the 15<sup>th</sup> day of the month following the end of each fiscal quarter. We further instructed the PHAs that the reports should be accompanied by fund expenditures supporting documentation such as financial ledgers. This procedure was implemented on November 25, 2019, during our Fiscal Year 2019/2020 Homeless Incentive Process Interagency Amendment process.

We will provide additional supporting documents during the follow-up review process. If you have any questions, please contact Matthew Fortini, Director of Finance and Budget at (626) 586-1890.

Sincerely,



*for* EMILIO SALAS  
Acting Executive Director

cc: Matthew Fortini, Director of Finance and Budget Division