Homelessness in California

State Government and the Los Angeles Homeless Services Authority Need to Strengthen Their Efforts to Address Homelessness

Report 2017-112

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April 19, 2018   2017-112

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the California State Auditor presents this audit report concerning homelessness in California and the Los Angeles Homeless Services Authority's (Authority) administration of public funds. This report concludes that the State should increase its efforts to better address homelessness while the Authority should strengthen its process for reviewing applications to provide homeless services. Based on 2017 information from the U.S. Department of Housing and Urban Development (HUD), California leads the nation with both the highest number of people experiencing homelessness—about 134,000, or 24 percent of the nation's total—and the highest proportion of unsheltered homeless persons (68 percent) of any state. In contrast, New York City and Boston shelter all but 5 percent and 3 percent, respectively, of their homeless populations.

One factor that contributes to other entities having lower proportions of unsheltered homeless individuals is the existence of a specific organization dedicated to addressing homelessness. In 2016 state law created the Homeless Coordinating and Financing Council (state homeless council). However, because it has no permanent staff and no funding for such staff, the state homeless council faces challenges in establishing a coordinated response to address homelessness in California. For instance, the lead agencies for California's Continuum of Care (CoC) areas (HUD administers the CoC program to provide funding to address homelessness) asserted that they are not equipped organizationally or financially to fully address homelessness. A single state entity could help the lead agencies resolve issues such as the need for additional resources to implement HUD-recommended activities and the ability to better implement HUD requirements and improve services for California's homeless population.

Regarding the Los Angeles City and County CoC area, its 55,000 homeless individuals is the largest homeless population in the State. The Authority is its lead agency and is responsible for distributing public funding to providers of homeless services in the county's eight service planning areas (service areas). Primary sources of funding that the Authority distributes are HUD, Los Angeles County, and the city of Los Angeles. Although the Authority used a reasonable process to evaluate and approve applications for funding new homeless projects, it should address certain deficiencies, including outdated written procedures and a flawed documentation process. The Authority stated it has begun addressing some of these issues. Moreover, the Authority awarded the smallest funding amounts to service areas outside the city of Los Angeles. Two reasons cause this variation: some funding sources restrict the geographic areas where the Authority can allocate its funds and fewer providers apply for funding in these service areas. Although the Authority has technical assistance programs to help increase capacity of its service providers, its limited data hinder its ability to identify and address funding variations across service areas.

Respectfully submitted,

Elaine M. Howle

ELAINE M. HOWLE, CPA
State Auditor

Selected Abbreviations Used in This Report

2017 homeless report	HUD's 2017 annual homelessness report to Congress
Authority	Los Angeles Homeless Services Authority
CoC	Continuum of Care
entry system	coordinated entry system
federal homelessness council	U.S. Interagency Council on Homelessness
federal plan	*Opening Doors: Federal Strategic Plan to Prevent and End Homelessness (2015)*
HCD	Department of Housing and Community Development
HMIS	Homeless Management Information System
HUD	U.S. Department of Housing and Urban Development
Los Angeles CoC	Los Angeles City and County Continuum of Care
Public Health	California Department of Public Health
RFP	request for proposal
service areas	service planning areas
state homeless council	Homeless Coordinating and Financing Council

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Summary

Results in Brief

California should do more to address homelessness. Currently, California has more people experiencing homelessness (the homeless population) than any other state in the nation, and it does a poor job of sheltering this vulnerable population. According to the U.S. Department of Housing and Urban Development's (HUD) 2017 annual homelessness report to Congress (2017 homeless report), in January 2017 California had about 134,000 homeless individuals, which represented about 24 percent of the total homeless population in the nation.[1] California also has the highest rate of unsheltered homeless: more than two-thirds of California's homeless are living in vehicles, abandoned buildings, parks, or on the street. Furthermore, 82 percent of California's unaccompanied homeless youth are unsheltered; in contrast, 38 percent of unaccompanied homeless youth in the rest of the nation are unsheltered.[2]

The lack of shelter for California's homeless population can be expensive for communities and can have severe consequences for homeless people. Homelessness and lack of shelter for the homeless population can affect the surrounding communities financially and physically. For example, according to the administrative officer for the city of Los Angeles in a 2015 report, at least 15 agencies regularly engaged with the homeless population, with some departments incurring large costs. Additionally, the unsheltered homeless population has an increased risk of exposure to communicable diseases. For example, the homeless populations in four California counties were affected by the largest person-to-person hepatitis A outbreak in the United States since a vaccine for it became available in 1996. In contrast to California, the New York City and Boston Continuum of Care (CoC) areas shelter more than 95 percent of their homeless populations. Two reasons may explain why California's unsheltered homeless population exceeds that of other entities.

Audit Highlights . . .

Our audit on the administration of public funds by the Los Angeles Homeless Services Authority (Authority) revealed the following:

» *California leads the nation with both the highest number of homeless persons—24 percent of the nation's total—and the highest proportion of unsheltered homeless persons (68 percent) of any state.*

» *Although created in 2016 to address the State's homeless crisis, the state homeless council does not have its own permanent staff resources, making it difficult to develop and implement a statewide plan to address homelessness.*

» *Some lead agencies for California's CoC areas stated they are not equipped organizationally or financially to fully address homelessness, and a single state entity could help them resolve issues to implement HUD requirements and recommended activities.*

» *Los Angeles County has the largest homeless population in the State, and the Authority is responsible for distributing public funding for homeless services in eight service planning areas.*

» *Although the Authority consistently used the same reasonable process to evaluate competitive applications for new homeless projects, it has outdated written procedures and a flawed documentation process.*

» *The Authority lacks the ability to adequately analyze its funding decisions based on geographic area and does not have an adequate database to track the results of its application evaluation process.*

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[1] For its annual homeless report to Congress, HUD discloses the results of what it refers to as a *point-in-time* count of homeless individuals. According to HUD's regulations, a point-in-time count is a count of sheltered and unsheltered homeless persons carried out on one night in the last 10 calendar days of January or at such other time as HUD requires. Therefore, HUD based the homeless population numbers in its 2017 homeless report on counts that occurred in January 2017. The numbers and percentages pertaining to homeless persons in our report are based on the California State Auditor's analyses of the results that HUD included in its annual homeless reports and on HUD's point-in-time counts obtained from its website.

Furthermore, HUD administers homeless assistance grants, including grants for the CoC program. A CoC is a group organized to carry out the CoC program's responsibilities within a specified geographic area.

[2] We provide additional information regarding homelessness in California on our website (see http://auditor.ca.gov/reports/2017-112/supplemental.html). An interactive map shows conditions across the State, including the number of people who lack shelter and the amount of annual HUD funding awarded to various areas. Using HUD data, the map also shows changes in the size of the homeless population from 2007 to 2016.

First, other entities have a single entity charged specifically with addressing homelessness. Furthermore, other entities invest significantly in administering and funding homeless services.

California's relative position regarding its homeless population points to the need for a single entity to oversee an effective and efficient system to address homelessness. However, until recently, California lacked such an entity and had no single mechanism by which to coordinate the multitude of homeless programs that the State funds. In 2016 state law created the Homeless Coordinating and Financing Council (state homeless council). The state homeless council's goals include aligning existing state homeless service programs to ensure that they quickly and successfully connect individuals and families experiencing homelessness to permanent housing without preconditions or barriers to entry, such as sobriety. Another goal of the state homeless council is to create partnerships among state agencies and departments, local government agencies, and participants in HUD's CoC program to arrive at specific strategies to end homelessness. Although creating the state homeless council is a first step toward addressing California's homelessness at a statewide level, it could face critical challenges to quickly establishing a coordinated response to homelessness and meeting its statutory goals because it has no permanent staff and no funding for such staff. Even though state law dictates that any structures the state homeless council establishes to assist in its efforts must work "within existing funding" and that the Department of Housing and Community Development must provide staff assistance, it will be difficult for the state homeless council to develop and implement a statewide plan to address homelessness without its own permanent staff resources.

To address homelessness at a local level, California currently has 43 CoC areas that cover the entire state. We surveyed the lead agencies for the CoC areas to obtain some perspective related to best practices of homeless services across the State. Lead agencies in each CoC area are responsible for planning the administration of homeless services. The CoC lead agencies indicated a need for additional resources and direction from the State. Specifically, lead agencies reported that they lacked funding, staff, and other resources to implement HUD-recommended activities such as conducting annual counts of unsheltered homeless, raising funds from nonfederal sources, and coordinating with other homeless service agencies. Rural CoC lead agencies also reported difficulties in implementing HUD requirements related to developing a coordinated entry system (entry system) and administering their Homeless Management Information Systems (HMIS).

The state homeless council could address the absence of strong state leadership from a single state entity, which currently creates challenges for rural CoC areas. HUD encourages CoC areas to merge with one or more other CoC areas if they have struggled in the competition for HUD funding. A balance-of-state CoC area can consist of multiple rural counties. If the state homeless council facilitated discussions with existing CoC lead agencies about forming a balance-of-state CoC area, it could create opportunities to remove some of the administrative burdens from local entities. This could result in more resources to implement HUD-recommended activities and improve services for California's homeless population.

Los Angeles County has the largest homeless population in the State and the second largest in the nation. The Los Angeles Homeless Services Authority (Authority) as well as the housing authorities for Los Angeles County and the city of Los Angeles are responsible for distributing public funding for homeless services in eight service planning areas (service areas) throughout Los Angeles County. Of the HUD CoC program amounts awarded to the Los Angeles City and County CoC (Los Angeles CoC) area for 2014 through 2016, the Authority received, on average, 27 percent, while the Housing Authority of Los Angeles County and the Housing Authority of the city of Los Angeles received approximately 16 percent and 45 percent, respectively. Regarding the Authority's distributions, we found significant funding variations between the eight service areas. During fiscal years 2014–15 through 2016–17, the Authority generally awarded the smallest amount of new project funding to service areas outside the city of Los Angeles.

However, we found that the Authority consistently used the same reasonable process to evaluate competitive applications for funding for new projects without regard to service area. Multiple reviewers from several departments within the Authority and one external reviewer evaluate various portions of funding applications, and score and rank them according to published criteria. The Authority then submits its recommendations for funding to its commission for approval.

Although the Authority consistently followed its evaluation process for all applications we reviewed, it could make some improvements to its process. To begin with, although the Authority hired a contractor in 2016 to update policies and procedures, it does not have current written procedures for much of its application evaluation process. For example, the procedures it provided us did not include the electronic application system the Authority implemented in 2014, nor the steps its staff started using in 2016 for creating tools used to evaluate an application (evaluation tools), including scoring rubrics and summary scoring sheets.

Additionally, we found that the Authority did not fully document certain aspects of its evaluation process. Specifically, it did not document its determination of whether an application passed or failed the first phase on 21 of the 26 applications we reviewed for fiscal years 2015–16 through 2016–17. It also did not include evidence of supervisory review on the evaluation tools, but instead completed the review process through email between staff members, management, and the director of finance. We also found that the Authority's staff do not use its network hard drive consistently to store documents, which creates inefficiencies and decreases the transparency of the application evaluation process. The Authority has begun to address some of these issues. For example, after we brought our concerns to the attention of the Authority's management, it began documenting meetings in which it discusses funding decisions. However, it should fully implement and formalize its improvements when it updates its policies and procedures to ensure that its efforts are efficient, effective, and transparent.

One factor contributing to the funding variations across service areas is that allocation decisions can be outside the control of the Authority. First, the Authority does not have final control over which service areas it awards public funding. For instance, two funding sources—the city of Los Angeles and Los Angeles County—impose rules on the funds they provide. The city and county each have restrictions based on geography: the city of Los Angeles funds must be used to fund services within the city, whereas the Authority is required to consider the needs of urban county areas when evaluating a project for county funding. Second, HUD's evaluation criteria do not include service areas; it makes the final determination on who receives its awards based on the strength of individual applications.

In addition, some service areas appear to lack a sufficient number of service providers to apply for funding. The Authority has made attempts to offset some funding variations by reserving funds for underserved service areas and providing technical assistance to increase the pool of qualified service providers in these areas. For example, although the Authority cannot unilaterally reduce the amount of county funding to providers within the city boundaries, it sometimes gives preference for county funding to service areas outside those boundaries. The Authority has also revised its application process to improve the success of its applicants. It now evaluates whether providers meet minimum requirements to manage public funds before they apply for a competitive grant. This allows Authority staff to provide feedback that helps providers qualify to apply.

Despite these steps, we found that the Authority has not adequately used data to analyze the effects of its efforts. First, the Authority could not accurately determine how much money it distributed to each service area for our audit period. In addition, it lacked organized application evaluation data and struggled to provide us with a complete and accurate record of its evaluation results for fiscal years 2014–15 through 2016–17. The Authority's limited data hinder its ability to identify and address funding variations across service areas. Specifically, the Authority has technical assistance programs to help increase the administrative capacity of its service providers, and if it aggregated and analyzed its application data, it could increase the efficiency of its technical assistance programs by proactively identifying the needs of and providing specialized assistance to service providers. In addition, it could more effectively identify and communicate its funding needs to funders. The Authority is beginning to improve its accounting system and is implementing a new contract management system. However, to have a complete picture of the homeless services in the Los Angeles CoC area, it should have complete and accurate data at each point of the funding process, including the application evaluation process. This should include the number of eligible providers, the reason providers do not apply for certain requests for proposals, which providers win funds and why, where they are located, and how programs are affecting homelessness. The Authority is the only entity that has access to all of this information and how it intersects.

Recommendations

Legislature

To better serve the needs of homeless Californians, and to provide statewide leadership to agencies at all levels for better coordination of efforts to address homelessness, the Legislature should enact legislation and include funding within the Budget Act of 2018 that will allow for the following actions:

- The state homeless council to hire permanent staff, including the appointment of an executive director.

- California's CoCs to obtain the state funding necessary to better implement HUD-recommended activities, including annually counting unsheltered homeless, improving efforts to raise nonfederal funding, and improving their coordination with other agencies; and to more fully meet HUD requirements, including implementation and administration of the HMIS and entry systems.

Furthermore, the Legislature should require the state homeless council to take the following actions:

- By April 1, 2019, develop and implement a statewide strategic plan for addressing homelessness in California, including goals and objectives and timelines for achieving them, and metrics for measuring their achievement. Included among the goals and objectives should be the identification of additional funding sources that state and local agencies can use to better address California's homelessness issues.

- By January 1, 2019, implement steps to assist CoC lead agencies in better implementing HUD-recommended activities, including conducting annual counts of the unsheltered homeless population, raising nonfederal funding, and coordinating with other agencies.

- By January 1, 2019, implement steps to assist CoC lead agencies in better meeting HUD requirements, including implementation of the HMIS and entry systems. The state homeless council should include among its considerations the establishment of a balance-of-state CoC area to help alleviate the administrative burdens imposed on CoC lead agencies, especially in rural areas.

Selected Recommendations

The Authority

To ensure the consistency and transparency of its processes, the Authority should do the following:

- Implement updated written policies and procedures by July 2018.

- Update its written policies and procedures regularly to accurately reflect changes in its processes.

To ensure that its funding recommendations are effective, consistent, and transparent, by July 2018 the Authority should do the following:

- Develop and implement a process to ensure that staff use evaluation tools as intended.

- Develop and implement a process to document supervisory review of its application evaluation process, and of meetings in which it makes funding decisions.

- Include these changes in its updated written policies and procedures.

To expand the number of service providers through targeted technical assistance, the Authority should do the following:

- Develop and implement a process to track aggregate application evaluation data, including the common reasons for failed applications, among other information, by December 2018.

- Continue its efforts to develop and implement technical assistance programs for service providers, and track and analyze the results of its assistance by April 2019.

Agency Comments

The Authority concurs with the recommendations we addressed to it and asserts that it has already begun implementing some of them.

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Introduction

Background

Homelessness is an issue of concern to the United States generally and to California specifically. According to *Opening Doors: Federal Strategic Plan to Prevent and End Homelessness* (federal plan) issued in 2010 and updated in 2015 by the U.S. Interagency Council on Homelessness (federal homelessness council), more than 1 million Americans experience homelessness each year. The federal plan also states that for most of these people, homelessness is caused by the gap between income and the cost of housing. It adds that for many people living in poverty, the lack of stable housing leads to cycling through crisis-driven systems, such as emergency rooms, psychiatric hospitals, detox centers, and jails. Homelessness therefore is costly not only to those who experience it firsthand but also to the entities that fund these crisis-driven systems. The federal plan further mentions that stable housing is the foundation upon which people build their lives—without a safe, decent, affordable place to live, it is next to impossible to achieve good health, positive educational outcomes, or economic potential.

According to a recent annual report issued by the U.S. Department of Housing and Urban Development (HUD), nearly 554,000 people were experiencing homelessness in the United States on a single night in January 2017.[3] The report further states that the number of homeless people increased in 2017 for the first time in seven years, which HUD attributed to an increase in the number of those staying in unsheltered locations in major cities. As indicated in the text box, the unsheltered homeless include individuals whose primary nighttime location is not normally used as a sleeping accommodation. HUD also stated that half of all people experiencing homelessness did so in one of just five states: California, New York, Florida, Texas, or Washington. HUD's report also points out that the largest absolute increase in the number of homeless between 2016 and 2017 occurred in California, where the homeless population increased

Key Definitions
Homeless: People who lack a fixed, regular, and adequate nighttime residence.
Sheltered homeless: People who are staying in emergency shelters, in housing programs that provide places to stay and supportive services for up to 24 months, or in "safe havens" that provide temporary shelters and services to hard-to-serve individuals.
Unsheltered homeless: People whose primary nighttime location is a public or private place not ordinarily used as a regular sleeping accommodation (for example, the streets, vehicles, abandoned buildings, parks, or camping grounds).
Sources: California State Auditor's analysis of federal law and HUD's 2017 homeless report.

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[3] For its annual homeless report, HUD discloses the results of what it refers to as a *point-in-time* count of homeless individuals. According to HUD's regulations, a point-in-time count is a count of sheltered and unsheltered homeless persons carried out on one night in the last 10 calendar days of January or at such other time as HUD requires. The numbers and percentages pertaining to homeless persons in our report are based on the California State Auditor's (State Auditor) analyses of the results that HUD included in its annual homeless reports and on HUD's point-in-time counts obtained from its website.

by 16,136, or 14 percent.[4] This increase was more than five times the increase of the next highest state—New York, with 3,151. According to the federal plan, homelessness is a problem that can be solved. Governments at the federal, state, and local levels are responding to the issue and have taken actions to address it.

The Federal Continuum of Care Program for Addressing Homelessness

At the federal level, HUD administers homeless assistance grants, including grants for the Continuum of Care (CoC) program. The purposes of the CoC program include promoting communitywide commitment to ending homelessness, providing funding for efforts by nonprofit providers and state and local governments to quickly rehouse homeless people, and optimizing self-sufficiency among those experiencing homelessness. HUD has established CoC program requirements both for applying for and for administering grant funds as well as for the regulatory implementation of the CoC program and its responsibilities.

Geographic Categories of CoC Areas

Major city CoC areas: Cover the 50 largest cities in the United States.

Balance-of-state or statewide CoC areas:
Typically composed of multiple rural counties or cover an entire state.

Smaller city, county, and regional CoC areas:
Cover jurisdictions that are neither one of the 50 largest cities nor balance-of-state or statewide CoC areas.

Source: HUD's 2017 annual homelessness report to Congress (2017 homeless report).

Federal regulations define a CoC as a group organized to carry out the CoC program's responsibilities. Each group consists of representatives from organizations within a specified geographic area (CoC area), including nonprofit homeless service providers, victim service providers, faith-based organizations, governments, businesses, advocates, and public housing agencies. For the purposes of its annual homeless report, HUD classifies CoC areas in three broad categories, as described in the text box.

CoCs are responsible for coordinating implementation of a housing and service system within their geographic area. Each CoC must adopt and follow written procedures to establish a board (CoC board) to act on the CoC's behalf. The CoCs are also required to designate and operate a Homeless Management Information

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[4] We provide additional information regarding homelessness in California on our website (see http://auditor.ca.gov/reports/2017-112/supplemental.html). An interactive map shows conditions across the State, including the number of people who lack shelter and the amount of annual HUD funding awarded to various areas. Using HUD data, the map also shows changes in the size of the homeless population from 2007 to 2016.

System (HMIS) and develop and use a coordinated entry system (entry system), which we describe in the text box.

According to HUD, each CoC should designate a lead agency as part of its efforts to be effective. HUD advises that a lead agency with strong leadership, access to resources, and high visibility in the community can provide the CoC with the credibility necessary to attract broad-based community participation. The lead agency can also be the *collaborative applicant* for CoC program funding. According to federal regulations, the collaborative applicant will collect and combine the required application information from all projects in the CoC area. The lead agency may also act as the *lead* for the CoC area's HMIS, and must develop and administer the entry system for the CoC.

The State's Response to Homelessness

Instead of having a single state department in charge of managing the State's efforts to address homelessness, multiple state entities in California administer a variety of homeless services programs. As shown in Table 1 on the following page, in fiscal years 2016–17 and 2017–18 six state entities administered at least 11 different programs that were funded in the State budget to provide direct assistance to homeless individuals and families. Entities including the Department of Housing and Community Development (HCD), the California Department of Social Services (CDSS), and the California Governor's Office of Emergency Services administer programs for the homeless population. These programs provide services including housing, housing-related supports, and outreach and advocacy services. We also identified other programs that address or likely address homelessness, but we did not include them in our table because the budget acts of 2016 and 2017 did not include discrete amounts for them or they only indirectly address homelessness. Entities administering these programs include the Department of Health Care Services, the California Department of Public Health (Public Health), and the California Department of Corrections and Rehabilitation.

Requirements for CoCs

Federal law requires CoCs to establish and administer the following:

HMIS: A local information technology system used to collect client-level data and data on the provision of housing and services to homeless individuals and families and persons at risk of homelessness. Each CoC lead agency is responsible for selecting an HMIS software solution that complies with HUD's data collection, management, and reporting standards.

Entry system: A process developed to ensure that all people experiencing a housing crisis have fair and equal access—and are quickly identified, assessed, referred, and connected—to housing and assistance based on their strengths and needs. Entry systems can include components such as regional coordination, housing navigation, outreach activities, case management, crisis and bridge housing, rapid rehousing, family solution centers, and prevention and diversion activities.

Sources: Federal regulations, HUD publications, and documents obtained from the Authority.

Table 1
Several California Entities Administer Many Programs to Address Homelessness
(In Thousands)

ADMINISTERED BY/ PROGRAM NAME*	PURPOSE OF APPROPRIATION OR PROGRAM	BUDGET ACT APPROPRIATION EXAMPLES FOR FISCAL YEARS	
		2016–17	2017–18
HCD†			
No Place Like Home Program	To finance permanent supportive housing for individuals or households that include individuals with a mental disorder who are homeless, chronically homeless, or at risk of chronic homelessness.	$263,640	$262,000
California Emergency Solutions Grants Program	To make grants to qualifying subrecipients throughout the State to implement activities that address the needs of homeless individuals and families and assist them to regain stability in permanent housing as quickly as possible.	35,000	None
Financial Assistance Program	To provide funds to certain local governments and organizations for navigation centers for homeless individuals, and for permanent supportive and transitional housing to serve homeless and low-income individuals and families and those at risk of homelessness.	None	28,000
Multiple‡			
Veterans Housing and Homeless Prevention Program	To provide for the acquisition, construction, rehabilitation, and preservation of affordable multifamily supportive housing, affordable transitional housing, affordable rental housing, or related facilities for veterans and their families to allow veterans to access and maintain housing stability.	$75,000	$75,000
CDSS			
CalWORKs Housing Support Program	To provide housing support, including financial assistance, and housing stabilization and relocation services to CalWORKs recipients who are experiencing homelessness or housing instability.	$46,675	$46,675
Housing and Disability Income Advocacy Program	To provide outreach, case management, advocacy services, and housing assistance to homeless Californians with disabilities.	43,461	43,461
Bringing Families Home Program	To provide housing-related supports, including needs assessments, housing search services, and financial assistance, to eligible individuals and families experiencing homelessness.	9,694	None
School Supplies for Homeless Children Fund	To provide school supplies and health-related products to homeless children.	530	530
California Department of Education			
McKinney-Vento Homeless Children Education Program	To facilitate the identification, enrollment, attendance, and success in school of homeless children and youth.	$7,930	$9,711
Homeless Youth Assessment Fee Waiver Program	To waive application fee for the high school certificate of proficiency exam for homeless children and youth.	25	21
California Governor's Office of Emergency Services			
Homeless Youth Emergency Service Pilot Projects	To provide shelter and related services to homeless youth.	$10,000	$10,000

Sources: California State Auditor's review of the Legislative Analyst's Office's 2016 *Overview of State Homelessness Programs*, the budget acts of 2016 and 2017, other California and federal laws, and internet searches.

* Based on our review, this table presents a partial list of California programs intended to address various aspects of homelessness. These amounts are generally appropriations for local assistance and do not include amounts for state operations and other departments. These amounts are generally appropriations for local assistance, and do not include amounts for State operations and other departments. Our review identified other programs through which the State addresses or potentially addresses homelessness. However, we did not include them here because they directly serve the homeless, but the two budget acts we examined did not include discrete budget amounts for them; indirectly address homelessness by promoting the provision of affordable housing generally, whose beneficiaries could include populations in addition to homeless people; or provide benefits other than housing, including food assistance and health care, to populations that may include homeless people. Examples of these programs include Medi-Cal, Supplemental Security Income/State Supplementary Payment, Community Services Block Grant, Housing Opportunities for Persons with AIDS, and CalFresh.

† HCD also administers the federal Emergency Solutions Grants program. The budget acts did not contain specific line item information for this program.

‡ State law requires HCD, the California Housing Finance Agency, and the California Department of Veterans Affairs to work collaboratively pursuant to a memorandum of understanding to carry out the duties and functions associated with these programs.

Funding for California's homelessness programs comes from a variety of sources and sometimes targets particular subpopulations within the homeless community. Some programs, such as the Homeless Children Education Program, are federally funded. Other programs, such as CDSS's Housing and Disability Income Advocacy Program, which serves homeless Californians with disabilities, are funded by the State and require counties to provide matching funds.

In 2016 California passed a law requiring state agencies and departments that fund, implement, or administer housing or housing-based services for homeless persons or those at risk of homelessness to adopt or revise guidelines and regulations to incorporate core components of the Housing First model of housing assistance.[5] The same law required the Governor to create the Homeless Coordinating and Financing Council (state homeless council) by June 30, 2017. Aside from overseeing implementation of the adoption of Housing First core components, the state homeless council is responsible for identifying resources, benefits, and services that can be accessed to address homelessness in California, and for creating partnerships among federal, state, and local entities to develop specific strategies to reduce homelessness.

Los Angeles County's Response to Homelessness

At the local level in California, there are 43 CoC areas. The CoC for each area must design, operate, and follow a collaborative process for applying for HUD funding. The Los Angeles City and County CoC (Los Angeles CoC) area is composed of Los Angeles County, except the cities of Glendale, Long Beach, and Pasadena, each of which has its own CoC. The Los Angeles Homeless Services Authority (Authority) is the Los Angeles CoC's lead agency. In December 1993, Los Angeles County and the city of Los Angeles entered into a joint exercise of powers agreement to create the Authority. The purpose of the Authority is to coordinate the operation of existing services to the homeless population that each entity formerly provided separately and to design, fund, and operate other homeless and related social services to assist those in the community. As the text box describes, a 10-member commission governs the Authority. The Authority's mission is to

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The Authority's Structure

The commission: The 10-member body that governs the Authority.

Commission member appointment: The Los Angeles County Board of Supervisors appoints five members. The Los Angeles mayor appoints and the city council confirms five members.

Committees: The commission may create standing and ad hoc committees, consisting of commission members and/or nonmembers, to assist the commission in its work.

Sources: Bylaws for the Los Angeles CoC area and for the Authority, and the joint exercise of powers agreement between Los Angeles County and the city of Los Angeles.

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[5] According to HUD, Housing First is a model for offering housing assistance without preconditions—such as sobriety or a minimum income threshold—or service participation requirements. Rapid placement and stabilization in permanent housing are its primary goals.

support, create, and sustain solutions to address homelessness in Los Angeles County by providing leadership, advocacy, planning, and management of program funding. According to the Authority, it partners with more than 100 nonprofit organizations that assist homeless persons to achieve independence and stability in permanent housing.

The bylaws for the Los Angeles CoC name the Authority as the collaborative applicant for submitting funding applications to HUD. Most service providers in the Los Angeles CoC apply for HUD CoC program funding by submitting applications to the Authority, the Housing Authority of the County of Los Angeles, or the Housing Authority of the City of Los Angeles. As the collaborative applicant, the Authority then submits a consolidated application for the Los Angeles CoC area to HUD for CoC program funding. Of the HUD CoC program amounts awarded to the Los Angeles CoC area for 2014 through 2016, the Authority received, on average, about 27 percent, while the Housing Authority of the County of Los Angeles and the Housing Authority of the city of Los Angeles received approximately 16 percent and 45 percent, respectively. Other entities within the Los Angeles CoC area, including housing authorities of cities other than Los Angeles and service providers, received the remaining 12 percent.

The Authority's financial information shows that HUD, the city of Los Angeles, and Los Angeles County provide the majority of the Authority's funding. The Authority also receives a minimal amount of funding from the State and other sources. As Figure 1 shows, the Authority's funding has fluctuated over time.

HUD selects the projects and service providers that will receive its grant awards. The Authority, along with the Housing Authority of the city of Los Angeles and the Housing Authority of the County of Los Angeles, then reimburses the providers after they have rendered services. The city of Los Angeles and Los Angeles County also impose restrictions or priorities for the funds they contribute from their annual budgets. For example, the joint exercise of powers agreement states that city contributions shall be used only within the city while request for proposals (RFPs) can impose "priority consideration" for projects located within specific areas of the county. As shown in Figure 2 on page 16, the Los Angeles CoC area is divided into eight geographic regions called *service planning areas* (service areas).

Figure 1
The Authority's Revenue Has Fluctuated Over Time
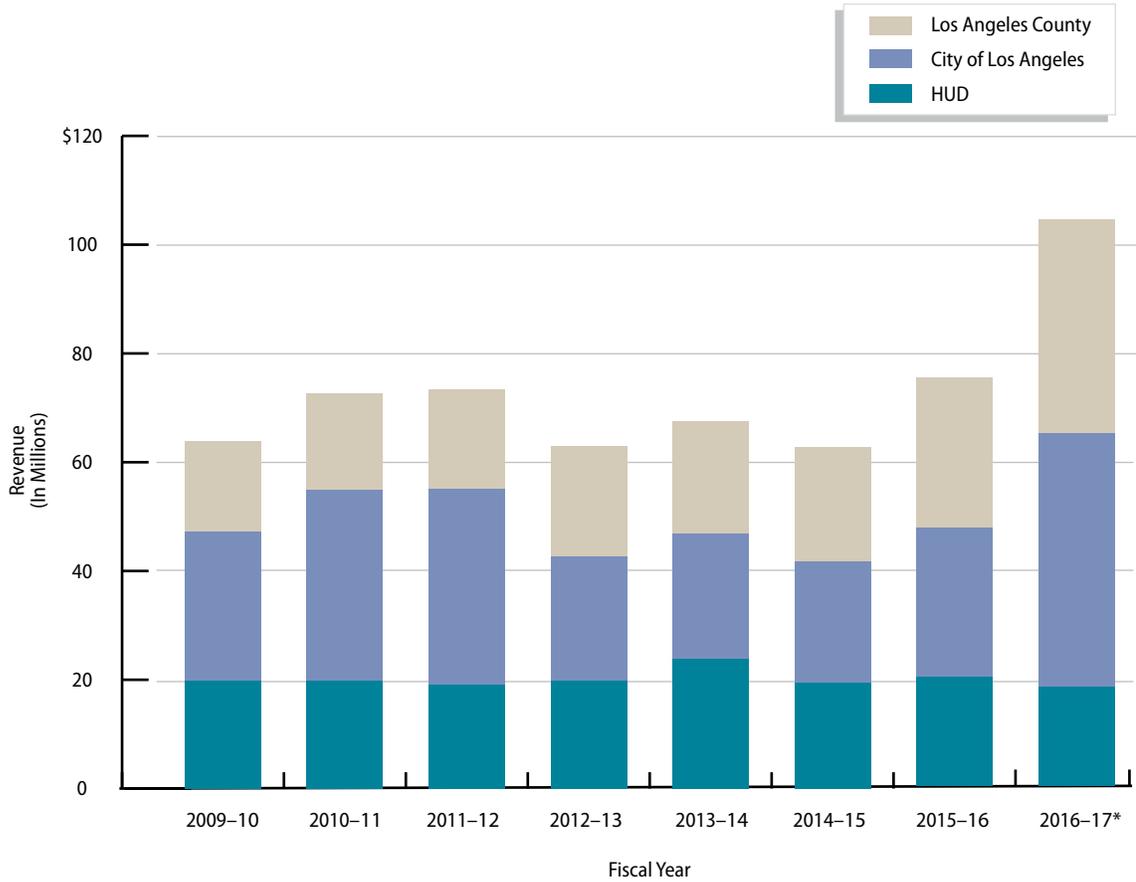
Sources: California State Auditor's analysis of financial information obtained from the Authority for the fiscal years shown.

Note: Because of their inconsistency, we do not include within the Authority's funding displayed here annual amounts of state, local, or other funds, the totals of which ranged from a low of approximately $73,000 in fiscal year 2013–14 to a high of $1.2 million in fiscal year 2011–12.

* In fiscal year 2016–17 the Authority received funding increases from Los Angeles County and the city of Los Angeles for several purposes, including about $30 million to implement countywide strategies to address homelessness and for entry system programs.

Figure 2
Eight Service Areas Cover the Los Angeles CoC Area
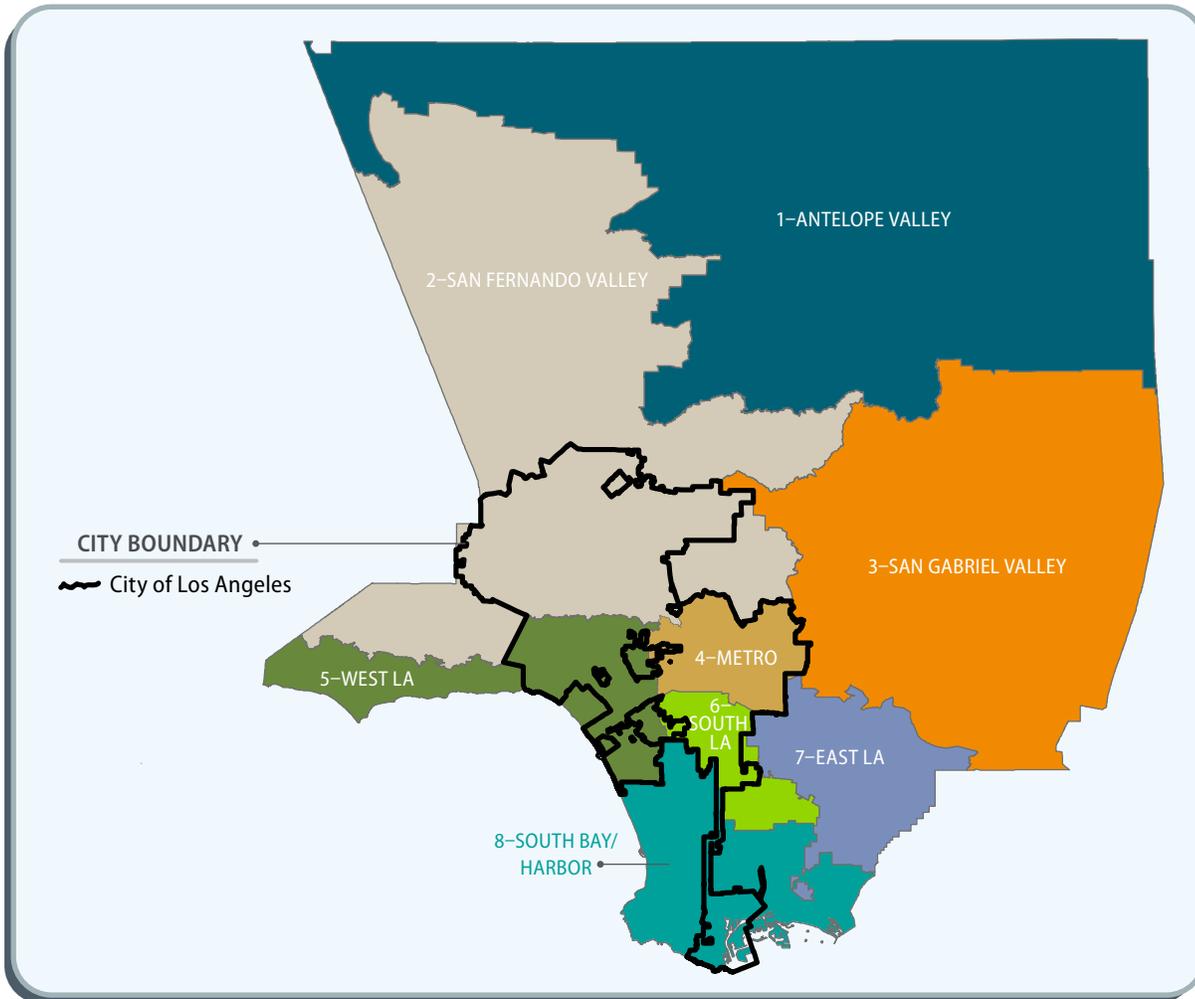
Source: California State Auditor generated using geographic information system data.

Scope and Methodology

The Joint Legislative Audit Committee (Audit Committee) directed the State Auditor to audit the Authority's administration of public funds. Table 2 lists the Audit Committee's objectives and the methods we used to address them.

Table 2

Audit Objectives and the Methods Used to Address Them

	AUDIT OBJECTIVE	METHOD
1	Review and evaluate the laws, rules, and regulations significant to the audit objectives.	Reviewed relevant laws, regulations, and other background materials applicable to the Authority and programs aimed at addressing homelessness.
2	Review and evaluate the Authority's methods for processing applications for public funding during the most recent three fiscal years and do the following: a. Identify by program the number of applications the Authority received, reviewed, approved, denied, or deemed deficient. For those applications that were denied or deemed deficient, identify the reasons for denial or deficiency. b. Determine the consistency of the review of applications for HUD's CoC program and other similar programs across the eight service areas. If there is significant variation in the approval process between service areas, determine the cause. c. Assess the Authority's practices for communicating and publicizing its criteria for approving or denying applications. Determine whether the process is transparent.	• Interviewed relevant Authority staff. • Obtained and evaluated the Authority's policies and procedures related to processing applications for public funding. • Reviewed and analyzed the list of applications and other relevant data obtained from the Authority. Also, reviewed the minutes of certain commission and committee meetings. • Reviewed and analyzed information related to 34 applications for funding for new projects that we selected. • Reviewed relevant documents related to 20 renewal projects for HUD's CoC program that we selected, and five providers whose funding the Authority reallocated. • Reviewed and analyzed documents from the Authority's website, and email blasts to the "Funding Opportunities" and "General Interest" distribution lists. • Reviewed and analyzed criteria for the evaluation of applications listed in three RFPs and compared the criteria to the instructions to reviewers and evaluation tools. • Summarized the results of the Authority's application reviews by service area in Appendix A beginning on page 57.
3.	Review the Authority's methods for calculating and distributing public funding. Determine whether the Authority's methods are consistent with relevant laws, regulations, and policies. For a selection of approved applications for public funding, determine whether the Authority's distribution complied with the Authority's methods for calculating and distributing public funds.	• Interviewed staff and reviewed laws, regulations, policies, and other criteria to gain an understanding of the Authority's methods for calculating and distributing public funding. • Obtained and examined the contracts and accounting data for a selection of 40 new projects to determine whether the contract requirements matched the grant requirements and applicant's proposal, and to determine whether the Authority distributed funds according to the contracts. • We determined that the Authority's distribution complied with its methods for calculating and distributing public funds.
4.	Determine the total amount of public funding and CoC program funding the Authority distributed to the eight service areas. Analyze these amounts in relation to each service area's per-capita homeless population or other relevant measurement. If there is significant variation in funding levels between service areas, determine the cause.	• Interviewed relevant Authority staff. • Reviewed contracts, accounting records, and other relevant information. • Determined the total amount awarded related to applications for new projects by each service area for fiscal years 2014–15 through 2016–17. • Analyzed the amount of public funding each service area received for new projects in relation to its homeless population. • Summarized funding award amounts for new projects by service area in Appendix B beginning on page 61.

AUDIT OBJECTIVE	METHOD
5. Research best practices for the administration of public funding for homeless services and determine whether the Authority should implement any alternative structures or processes.	• Interviewed staff of the Authority, HUD, and HCD to obtain an understanding of best practices relevant to the administration of homeless services. • Researched best practices for the administration of public funding for homeless services from relevant agencies. • Reviewed HUD's fiscal year 2016–17 CoC Notice of Funding Availability criteria. • Surveyed the lead agencies for California's 43 CoC areas and analyzed the results.
6. Review and assess any other issues that are significant to the audit.	• Reviewed and analyzed national homeless population information from HUD's 2017 homeless report and 2017 point-in-time data. • Reviewed public agencies' responses to homelessness.

Sources: California State Auditor's analysis of the Audit Committee's audit request number 2017-112, as well as information and documentation identified in the column *Method*.

Assessment of Data Reliability

In performing this audit, we obtained electronic data files extracted from the data sources listed in Table 3. The U.S. Government Accountability Office, whose standards we are statutorily required to follow, requires us to assess the sufficiency and appropriateness of the computer-processed information that we use to support our findings, conclusions, or recommendations. Table 3 describes the analyses we conducted using the data from these sources, our methods for testing, and the results of our assessments. Although these determinations may affect the precision of the numbers we present, there is sufficient evidence in total to support our audit findings, conclusions, and recommendations.

Table 3
Methods Used to Assess Data Reliability

INFORMATION SYSTEM	PURPOSE	METHOD AND RESULT	CONCLUSION
The Authority MIP Fund Accounting reports (accounting reports) as of September 2017	To categorize and to calculate total expense and revenue transactions for the period July 1, 2014, through June 30, 2017.	• Performed data-set verification procedures and electronic testing of key data elements and we did not identify any issues. • To test the accuracy of the Authority's accounting reports, we traced key data elements to supporting documentation for a selection of 29 revenue and expense transactions from July 1, 2014, through June 30, 2017, and found no errors. • To test the completeness of these accounting reports, we traced the total amounts of the expense and revenue transactions to the Authority's fiscal years 2014–15 and 2015–16 audited financial statements and found the accounting reports to be complete. We were unable to trace the total amounts for fiscal year 2016–17 because the Authority had not published its audited financial statement for fiscal year 2016–17.	Undetermined reliability for the purpose of this audit. Although this determination may affect the precision of the numbers we present, sufficient evidence exists in total to support our audit findings, conclusions, and recommendations.
HUD Point-in-time homeless counts and housing inventory counts 2017	• To determine the number of sheltered and unsheltered homeless persons by CoC. • To determine the number of homeless shelter beds by CoC.	Did not perform accuracy and completeness testing of these data because HUD does not fall within our audit authority. To gain some assurance of the accuracy and completeness of these data, we performed data-set verification procedures and electronic testing of key data elements, and found no issues.	Undetermined reliability for the purpose of this audit. Although this determination may affect the precision of the numbers we present, sufficient evidence exists in total to support our audit findings, conclusions, and recommendations.
The Authority List of applications for RFPs Fiscal years 2014–15 through 2016–17	• To determine the number of applications the Authority received, reviewed, approved, denied, or deemed deficient. • To select applications for new projects to test the consistency of the Authority's review.	• To gain assurance of the completeness of the Authority's list, we compared the list to the records of public meetings and worked with the Authority until we were satisfied that we had a complete set of data. • To gain assurance of the accuracy of the Authority's list, we traced data for 23 fields to supporting documentation and found that nine of the 23 fields tested had two or more errors.	Not sufficiently reliable for the purpose of this audit. Although this determination may affect the precision of the numbers we present, sufficient evidence exists in total to support our findings, conclusions, and recommendations.
The Authority Grant Inventory Worksheet Fiscal Year 2016–17	To select renewal projects for testing.	• Performed key data-set verification procedures and did not identify any significant issues. • To gain assurance of the completeness of the 2016 Grant Inventory Worksheet, we agreed certain information from the worksheet we acquired from the Authority to equivalent information in a worksheet that HUD provided to the Authority and to HUD's summary sheet showing its 2016 CoC funding awards to California. We found the data to be complete.	Did not test the reliability of the data, but instead gained assurance that the population was complete.

Source: California State Auditor's analysis of various documents, interviews, and data obtained from the Authority.

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Chapter 1

THE STATE SHOULD TAKE A STRONGER ROLE IN ADDRESSING HOMELESSNESS

Chapter Summary

California has more people experiencing homelessness than any other state in the nation, and it does a poor job of sheltering this vulnerable population. According to HUD's 2017 homeless report, California leads the nation with both the highest number of homeless persons and the highest proportion of unsheltered homeless persons of any state. This is particularly true of unaccompanied homeless youth, 82 percent of whom live without shelter, while the rest of the nation's average is 38 percent for this group.

Until recently, California lacked a single statewide entity for addressing homelessness and had no mechanism for coordinating the many homeless programs that the State funds. Although the State created it in 2016, the state homeless council has no permanent staff and no funding for such staff. In fact, state law dictates that any structures the state homeless council establishes to assist in its work must do so "within existing funding" and that HCD must provide staff to assist the council. However, it will be difficult for the state homeless council to develop and implement a plan that documents the State's approach to addressing and reducing homelessness without its own permanent resources.

The need for a state homeless council equipped with resources and authority is apparent in the responses we received from a survey of California's CoC area lead agencies about best practices for homeless services. The responses indicate that their CoC areas were not equipped organizationally or financially to fully address homelessness. Specifically, lead agencies for CoC areas mentioned challenges in implementing HUD-recommended activities such as conducting annual counts of unsheltered homeless, raising funds from nonfederal sources, and creating strategic plans to help ensure coordination with other homeless service agencies. Rural CoC lead agencies also mentioned difficulties in implementing HUD requirements related to administering an entry system and their HMIS.

California Has the Largest Homeless Population in the Nation

Relative to other states in the nation, California is not doing a good job addressing homelessness. According to HUD's 2017 homeless report, approximately 134,000 people in California were homeless on a single night in January 2017, which accounted for about 24 percent

of the nation's total homeless population. Furthermore, California led the nation with the highest proportion of unsheltered homeless persons of any state. As Figure 3 shows, more than two-thirds—or 68 percent—of California's homeless population were unsheltered, while the proportion for the remaining states was about one-quarter, or 24 percent, in 2017. What is more, according to the 2017 homeless report, the Los Angeles CoC area by itself had the second largest homeless population in the nation. This population exceeded the homeless populations of all but one state, and accounted for half (8,758) of the entire increase in unsheltered individuals in the nation's major metropolitan areas from 2016 to 2017.

In addition to having a higher proportion of unsheltered homeless individuals than other states, California had the largest number of unsheltered unaccompanied youth in 2017.
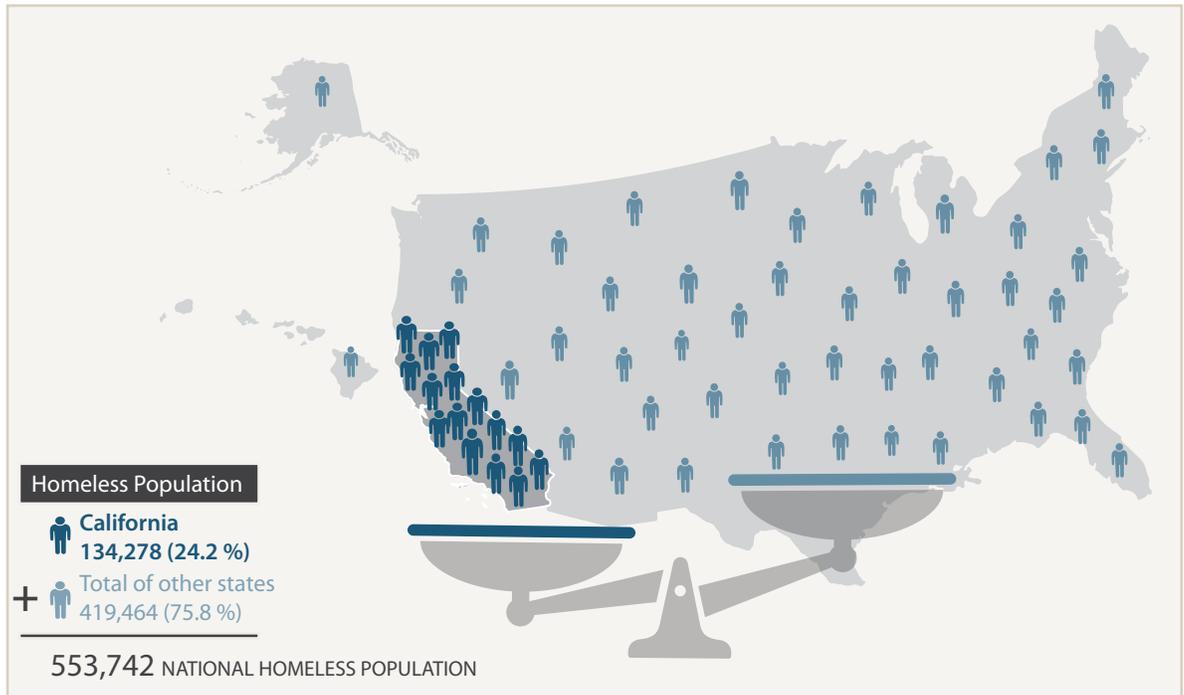
In addition to having a higher proportion of unsheltered homeless individuals than other states, the 2017 homeless report shows that California had the largest number of unsheltered unaccompanied youth.[6] According to HUD, youth homelessness is of unique concern because young people are still developing and are especially vulnerable to criminal victimization, sexual exploitation, labor and sex trafficking, or traumatic stress. The 2017 homeless report shows that California's CoC areas had 15,458 homeless unaccompanied youth, representing 38 percent of the national total. In 2017 more than four out of five, or 82 percent, of California's homeless unaccompanied youth were unsheltered; in comparison, 38 percent of the rest of the nation's total homeless unaccompanied youth were unsheltered.[7]

Unlike California, some areas of the nation with relatively large homeless populations had low proportions of unsheltered homeless, as we show in Table 4 on page 24. For example, the 2017 homeless report shows that the New York City CoC area had the largest homeless population in the nation, with 76,501 homeless individuals, but the unsheltered proportion was 5 percent. In contrast, the Los Angeles CoC area had the second largest homeless population in the nation (55,188) and had an unsheltered proportion of 75 percent. Furthermore, some CoC areas also sheltered more of their homeless unaccompanied youth than CoC areas in California did. For example, only 4 percent of the Boston CoC area's unaccompanied youth were unsheltered, while the proportion for the San Jose/Santa Clara City and County CoC area was 96 percent and the San Francisco CoC area's proportion was 88 percent.

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[6] HUD defines *homeless unaccompanied youth* as homeless individuals under the age of 25 who are not accompanied by a parent or a guardian and are not themselves a parent staying in the same place as his or her child or children.

[7] We provide additional information regarding homelessness in California on our website (see http://auditor.ca.gov/reports/2017-112/supplemental.html). An interactive map shows conditions across the State, including the number of people who lack shelter and the amount of annual HUD funding awarded to various areas. Using HUD data, the map also shows changes in the size of the homeless population from 2007 to 2016.

Figure 3
California's Large Homeless Population in January 2017 Was Unsheltered More Often Than in Other States

Homeless Population

California
134,278 (24.2 %)

Total of other states
419,464 (75.8 %)

553,742 NATIONAL HOMELESS POPULATION

Percentage of Homeless Individuals Who Were Unsheltered

California

68%

Total of other states

24%

Sources: California State Auditor's analysis of HUD's 2017 homeless report and 2017 point-in-time count data obtained from HUD's website.

Table 4

Some Areas of the Nation With Large Populations of Homeless Adults and Unaccompanied Homeless Youth Had Lower Proportions of Unsheltered Homeless Than Areas in California in 2017

LOCATION	NUMBER OF HOMELESS PERSONS	PERCENTAGE OF HOMELESS PERSONS WHO ARE UNSHELTERED	NUMBER OF UNACCOMPANIED HOMELESS YOUTH	PERCENTAGE OF UNACCOMPANIED HOMELESS YOUTH WHO ARE UNSHELTERED
California Major City CoC areas				
Los Angeles City and County	55,188	75%	5,163	80%
San Diego City and County	9,160	61	1,160	76
San Jose/Santa Clara City and County	7,394	74	2,530	96
San Francisco	6,858	64	1,274	88
Other Major City CoC areas				
New York City, NY	76,501	5%	2,003	13%
Seattle/King County, WA	11,643	47	1,498	76
District of Columbia	7,473	12	228	15
Las Vegas/Clark County, NV	6,490	67	2,052	93
Boston, MA	6,135	3	190	4
Philadelphia, PA	5,693	17	297	29

Sources: California State Auditor's analysis of HUD's 2017 homeless report and 2017 point-in-time count data obtained from HUD's website.

Note: The locations listed are the 10 CoC metropolitan areas with the largest homeless populations in the nation.

Lack of Shelter Is Detrimental to Both the Homeless Population and the Surrounding Communities

According to the federal plan, homelessness is costly in its negative impact on human life, health, and productivity. Without shelter, the homeless population is more likely to miss opportunities to participate in programs and obtain services that shelters provide. For example, unaccompanied minors who go to an emergency shelter funded by the city of Los Angeles can receive access to medical, mental health, substance abuse recovery, legal, educational, and life skills services as needed as well as trauma-informed case management, counseling, and crisis intervention services. They can also receive connections to transitional and permanent housing to work toward breaking the cycle of homelessness.

The unsheltered homeless population also has an increased risk of exposure to communicable diseases. According to Public Health, as of February 2018, California was experiencing the largest person-to-person hepatitis A outbreak not related to a common source or a contaminated food product in the United States since the hepatitis A vaccine became available in 1996, and four counties had declared local outbreaks of the disease.[8] The homeless

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8   According to the World Health Organization (WHO), hepatitis A is a viral liver disease that can cause mild to severe illness. WHO states that the virus is primarily spread when an uninfected and unvaccinated person ingests food or water that is contaminated with the feces of an infected person and that the disease is closely associated with unsafe water or food, inadequate sanitation, and poor personal hygiene.

populations in the CoC areas for Los Angeles, San Diego, Santa Cruz, and Monterey counties, which have rates of unsheltered homelessness ranging between 60 percent and 80 percent, have been affected by these recent outbreaks. For example, according to minute orders approved by the San Diego County Board of Supervisors, from September 2017 through January 2018, San Diego County experienced a local health emergency caused by a hepatitis A outbreak in the homeless and illicit drug-using populations. Public Health reported that as of February 2018, 580 cases, 398 hospitalizations, and 20 deaths were associated with the hepatitis A outbreak in that county.

Homelessness and lack of shelter for the homeless population can also affect the surrounding communities financially and physically. According to the federal plan, homelessness is costly to society because homeless people frequently require the most expensive publicly funded services. For example, according to the administrative officer for the city of Los Angeles in a 2015 report, although only four agencies and departments had budgetary allocations for homeless programs, at least 15 regularly engaged with homeless people, with some departments incurring large costs. For example, the report cited that the Los Angeles Police Department estimated it spent from $53.6 million to $87.3 million in one year on interactions with homeless people and the Bureau of Sanitation spent at least $547,000 in a year on cleanup of homeless encampments like the one pictured in Figure 4.

Figure 4
Homeless Camps Such as This One Can Be Costly in Terms of City Services

Source: Grzegorz Czapski/Shutterstock.com

According to a 2015 report the estimated average annual cost of an unhoused homeless person in Silicon Valley who made significant use of public services was $62,500, while the cost for a housed homeless person in the same area fell to just under $20,000.

Conversely, housing the homeless population can help decrease some public costs. According to a 2015 Economic Roundtable report on the cost of homelessness in Silicon Valley, some public costs can decrease substantially when homeless people are housed.[9] For instance, the estimated average annual cost of an unhoused homeless person in Silicon Valley who made significant use of public services like emergency rooms was just under $62,500, while the estimated cost for a housed homeless person in the same area fell to just under $20,000. Unsheltered homelessness can also have a physical impact on communities. According to the Los Angeles Fire Department, in December 2017 an illegal cooking fire in an encampment under a freeway caused the Skirball Fire, which burned more than 400 acres, destroyed six homes, and damaged 12 other homes in the Bel-Air community in the city of Los Angeles.

Two Factors Contribute to Other States' Lower Numbers of Unsheltered Homeless

We believe two factors contribute to other states having lower proportions of unsheltered homeless individuals than California. The first factor is the existence of a specific entity dedicated to addressing homelessness. For example, Massachusetts charged the Division of Housing Stabilization within its Department of Housing and Community Development, with preventing homelessness; sheltering those for whom homelessness is unavoidable; and rehousing homeless people in stable, permanent housing. One program the division is responsible for provides emergency housing assistance to needy families with children and pregnant women for the entire state. Similarly, New York City, whose CoC area has more than 85 percent of New York State's homeless population, has a citywide entity that administers homeless services: the New York City Department of Homeless Services. It counts among its objectives increasing the number of households prevented from becoming homeless; reducing the number of individuals living on city streets; ensuring the availability of temporary, emergency shelters; and ensuring that those who exit shelter remain stably housed in the community. According to its website, New York City's Department of Homeless Services has 2,000 employees and an annual operating budget of approximately $1 billion.

The other factor likely contributing to lower rates of unsheltered homeless persons is higher spending to address homelessness. New York City and Massachusetts invest significantly in

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9   According to its website, the Economic Roundtable is a nonprofit urban research organization whose mission is to conduct research and implement programs that contribute to the sustainability of individuals and communities.

administering and funding homeless services. New York City's Department of Homeless Services budgeted nearly $17,000 per homeless person (per capita) in federal, state, city, and other funds in 2017 for homeless services. One factor that appears to contribute to New York City's high spending on homelessness is the legal right to shelter. According to its 2017 homelessness plan, the right to shelter in New York City is legally mandated and plays a central role in shaping its response to homelessness. Where other cities provide shelter to homeless people based on capacity, New York City provides it based on need. Also, Massachusetts' Department of Housing and Community Development budgeted more than $14,000 per capita for operation of its homeless programs. Although California does fund multiple programs for homeless services, as shown in Table 1 on page 12, the State does not have a comprehensive list of the funding sources for homeless service programs, and we were unable to calculate a similar per capita rate for California. However, we note that in 2016, HUD CoC program funding for Los Angeles County plus other types of funding administered through the Authority amounted to about $5,000 per capita, or about 30 percent of New York City's funding.[10]

Until Recently, California Lacked a Single Statewide Entity to Coordinate Its Efforts to Address Homelessness

California's position regarding its homeless population, relative to states like New York and Massachusetts, points to the need for a single entity to provide the statewide leadership necessary to better address the effects of homelessness. Recognizing that the federal government had a clear responsibility and a capacity to fulfill a more effective and responsible role in meeting basic human needs and engendering respect for the dignity of homeless people, Congress established the federal homelessness council in 1987 to coordinate the federal response to homelessness and to create national partnerships to reduce and end homelessness. The federal homelessness council is composed of leaders from 19 federal organizations, is staffed by about 20 full-time employees who are led by an executive director, and has an annual budget of approximately $3.5 million. Furthermore, in 2010 the federal homelessness council released a federal strategic plan to prevent and end homelessness and updated it in 2015.[11] The federal strategic plan reflects agreement by the federal homelessness council's participating agencies on a set of priorities and strategies, and it

Congress established the federal homelessness council in 1987 to coordinate the federal response to homelessness and to create national partnerships to reduce and end homelessness.

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[10] We included the 2016 HUD CoC program awards for the Los Angeles, Glendale, Pasadena, and Long Beach CoC areas and the Authority's budgeted non-HUD funding amounts to calculate Los Angeles County's homeless funding per capita.

[11] The federal homelessness council intends to issue a new update in 2018.

includes criteria and benchmarks to help guide communities as they take action to end homelessness for veterans, families, youth, and people with disabilities.

Local California governments also demonstrated leadership when they came together to collaborate to identify solutions to end homelessness. Recognizing that no single California city or county has the resources to solve homelessness on its own, the League of California Cities (League) and the California State Association of Counties (Association) partnered in fall 2016 to create a Joint Homelessness Task Force (joint task force) to identify tools, resources, and examples of best practices for local governments. The joint task force consisted of elected officials and staff from cities and counties around the State as well as representatives from the League and the Association. According to the joint task force, because the burden of addressing homelessness often falls on local governments, it intended to examine strategies local governments can implement to overcome challenges, foster best practices, and share ideas to address homelessness. The joint task force also noted that many smaller cities and counties that previously had little experience with homelessness were now wrestling with how to address a problem frequently called a humanitarian crisis. Since its inception, the task force has held three meetings and published a report in February 2018 that highlighted the recent increase in and changing demographics of homelessness, and offered tools for cities and counties to use in addressing homelessness in their communities.

In addition, although at least one state agency recognized the need for a single entity to coordinate services to homeless people in California in 1989, it was not until recently that California named an entity to lead that effort. In a June 1989 report, the Commission on State Government Organization and Economy recommended that the diverse state programs dealing with homelessness should be unified under a single state agency and that the State should take an aggressive leadership role in coordinating services. However, California continues to have a number of state entities administering separate programs to address specific aspects of homelessness. As indicated in Table 1 in the Introduction, at least six state entities administer at least 11 different programs that provide assistance to homeless persons. These state programs provide funding for several purposes, including the acquisition and construction of new housing for homeless people, relocation assistance, and financial assistance.

California continues to have a number of state entities administering separate programs to address specific aspects of homelessness—at least six state entities administer 11 different programs.

The enactment of Chapter 847, Statutes of 2016, created the state homeless council. The law requires the state homeless council to pursue 13 goals related to homeless services, including creating partnerships among state agencies and departments, local

government agencies, participants in HUD's CoC program, and other entities; arriving at specific strategies to end homelessness; as well as coordinating existing funding and applications for competitive funding. The law states that the state homeless council can include up to 17 members: eight members from state entities;[12] two members from local entities participating in HUD's CoC program; one member each from two different stakeholder groups; a formerly homeless person who lives in California; and up to four members who are state advocates, members of the public, or members of state agencies. State law requires agencies and departments that administer existing programs to collaborate with the state homeless council to adopt or revise guidelines and regulations to incorporate core components of Housing First, such as offering housing assistance without preconditions or service participation requirements, by July 1, 2019.

However, the state homeless council may face critical challenges in coordinating California's response to homelessness and meeting its statutory goals. First, unlike its federal counterpart, it has no permanent staff of its own and no budget for such staff. State law requires that any structures the state homeless council establishes to assist in its work must do so "within existing funding" and requires HCD to provide staff to the state homeless council. Currently, HCD redirects existing staff to perform the state homeless council's work. According to HCD's deputy director of housing and policy development (deputy director), HCD has one lead staff member and several supporting staff members who work on state homeless council matters in addition to their other assignments. The lead staff member spends roughly 25 percent of her time on state homeless council-related assignments. In addition, the deputy director stated that HCD has received commitments of staff from several other departments represented in the state homeless council.

Regardless of who provides the resources, it is critical that the state homeless council focus on developing and implementing a statewide strategic plan that documents the State's approach to addressing homelessness in California. The federal homelessness council stated that its strategic plan serves as a blueprint for individual agencies to follow in defining and implementing activities and in setting policy priorities to address homelessness. Similar to the federal strategic plan, a statewide strategic plan could align and strengthen the efforts by the eight state entities serving on the state homeless council to address homelessness, and it could integrate existing and future revenue streams to best serve a vulnerable California population.

It is critical that the state homeless council focus on developing and implementing a statewide strategic plan that documents the State's approach to addressing homelessness in California.

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12 The state entities providing members to the state homeless council include HCD, the Department of Health Care Services, CDSS, and the California Department of Veterans Affairs, among others.

A component of the statewide strategic plan could be, for instance, an outline of the steps for integrating funding from previously untapped sources. One such source could be the Control, Regulate and Tax Adult Use of Marijuana Act, enacted under Proposition 64 in 2016. As of January 1, 2018, this law imposes a 15-percent excise tax on retail sales of cannabis and cannabis products, and a per-ounce cultivation tax on all harvested cannabis that enters the commercial market. The Legislative Analyst's Office estimates that the net additional state and local tax revenue from the proposition could eventually range from the high hundreds of millions of dollars to over $1 billion annually. State law requires that 60 percent of that revenue—after certain specified expenses—be deposited into the Youth Education, Prevention, Early Intervention, and Treatment Account to support programs designed to educate youth about and to prevent substance use disorders and harm from substance abuse. Among other things, these programs may include grants to programs for outreach, education, and treatment for homeless youth and out-of-school youth with substance use disorders.

However, the law establishing the state homeless council currently does not require it to develop a statewide strategic plan. Instead, the state homeless council's legally mandated goals include making policy and procedural *recommendations* to legislators and other government entities and to serve as a statewide facilitator, coordinator, and policy development resource on ending homelessness in California. According to the deputy director, individual state departments are still the program authorities on homeless services. He also stated that the state homeless council has not discussed creating a statewide strategic plan; however, creating one would be within its purview. He stated that in order to adequately develop a plan, the state homeless council would need dedicated staff; however, the number of staff needed would depend on the breadth and scope of what the plan would need to encompass.

Although authorized by legislation effective January 1, 2017, the state homeless council has taken limited action thus far. As of January 2018, it had met twice: in October 2017 and January 2018. The first two meetings focused on developing a process to align state programs with Housing First principles and establishing its governance structure. At its second meeting in January 2018, the state homeless council also agreed to eight goals to achieve by June 2019, which we describe

State Homeless Council's Goals to Be Achieved by June 2019

- Authorize an interagency working group to build a comprehensive list of state homeless programs.
- Conduct a needs analysis to provide the state homeless council with data on needs throughout the State.
- Streamline efforts and reduce redundancies by looking for opportunities to provide input on the design or development of programs affecting homeless Californians.
- Authorize an interagency working group to provide technical assistance to agencies as they adopt and incorporate the core components of Housing First.
- Act as a policy development resource on ending homelessness in California by setting basic expectations for all California entry systems and goals for how state programs could interact with these entry systems.
- Authorize an interagency working group to develop a scope of work and implementation plan for building a statewide data warehouse that receives data from local HMIS.
- Explore opportunities to access HUD technical assistance to develop a data warehouse.
- Summarize the state homeless council's work and progress in a cumulative report to the Legislature.

Source: Draft minutes of the state homeless council's January 2018 meeting obtained from HCD's website, and confirmed as generally accurate by HCD's deputy director.

in the text box. Finally, it identified other matters for consideration at a future meeting, including establishing a work group to address issues such as those affecting homeless or formerly homeless youth.

Many believe that California is in the midst of a homelessness crisis. Since 2015 multiple local government entities and the California State Legislature have declared crises or emergencies related to homelessness or sheltering homeless people. From October 2015 through September 2017 several local entities—including the Santa Clara County Housing Task Force, the San Diego City Council, the Santa Rosa City Council, and the Anaheim City Council—declared homelessness-related crises or emergencies. Furthermore, two counties called for the Governor to issue a statewide declaration of emergency. In June 2016, the Board of Supervisors of the County of Los Angeles wrote to members of the California State Legislature requesting that they pass a resolution urging the Governor to declare a state of emergency with respect to homelessness. Later that month the California State Assembly passed such a resolution, acknowledging that the challenge of confronting homelessness requires the active engagement and leadership of all arms of government. Similarly, in August 2016, the City and County of San Francisco Board of Supervisors informed the Governor of a resolution it passed in which it requested that he issue a statewide declaration of emergency to help coordinate the response and resources for homeless individuals and families. Furthermore, state law enacted in 2016 also acknowledges that homelessness is a crisis in California.

It is time for the State to do more to address this crisis. Local government entities have expressed the need for statewide coordination. For instance, the City and County of San Francisco Board of Supervisors stated that homelessness knows no city or county boundaries but is a regional and statewide issue, and that only a coordinated response will alleviate this crisis. It also stated that only through a statewide effort will it truly be able to respond effectively to this crisis. In addition, the Anaheim City Council resolved that the challenge of confronting homelessness requires the active engagement, collaboration, and leadership of all levels of government. Furthermore, the Santa Rosa City Council declared that the scope of the local homeless crisis is beyond the resources of the city alone and will require the combined forces of adjacent jurisdictions and state agencies. We believe that one of California's most vulnerable populations deserves to have strong leadership from a single state entity, like the state homeless council, to coordinate efforts and ensure an effective and efficient statewide system for addressing homelessness in the State.

Local government entities have expressed the need for statewide coordination to address the homelessness crisis.

Concerns Raised by CoC Areas Highlight Opportunities for California's New State Homeless Council

Many lead agencies for California's 43 CoC areas believe that their CoC areas are not equipped organizationally or financially to fully address homelessness.

It is not only the size of California's homeless population that points to the need for leadership by a single state entity; concerns expressed by lead agencies for California's CoC areas also highlight this need. To obtain a statewide perspective on best practices related to planning and funding homeless services, we surveyed the lead agencies for California's 43 CoC areas.[13] The survey results indicate that many of them believe that their CoC areas are not equipped organizationally or financially to fully address homelessness. Respondents collectively reported several challenges they faced, including the need for additional resources to implement HUD-recommended activities and problems in implementing HUD requirements. A single state entity could help CoC lead agencies to resolve these issues.

Many CoC Lead Agencies Report Challenges in Implementing HUD-Recommended Activities

Responses to our survey indicate that many CoC lead agencies face challenges in implementing certain HUD-recommended activities. These activities include conducting annual point-in-time counts of the CoC areas' unsheltered homeless populations, obtaining funds from nonfederal sources, and coordinating with other agencies to provide homeless services. To begin with, according to HUD, it is not possible to address homelessness in a community without understanding how many people need assistance. HUD's regulations require CoC lead agencies to plan and conduct a point-in-time count of the sheltered and unsheltered homeless population within their geographic area at least biennially in the last 10 days of January. Although it has a two-year regulatory requirement, information from its website states that HUD requires CoCs to count every year those homeless people sheltered in emergency shelters, transitional housing, and "safe havens"; additionally, HUD has historically required CoC areas to conduct annual counts to receive the maximum number of points in the annual CoC program competition for funding, thus increasing the value of annual counts.

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[13] We received complete responses from 40 of the 43 CoC lead agencies. Lead agencies for the Oakland, Berkeley/Alameda County CoC area and the Daly City/San Mateo County CoC area did not respond to our survey. Additionally, the lead agency for the Imperial County CoC area submitted only a partial response. We provide the CoC lead agencies' survey responses on our website (see http://auditor.ca.gov/reports/2017-112/surveylist.html).

According to the Authority, it conducts annual unsheltered counts to better understand and assess the situation of homelessness in the Los Angeles CoC area for grant and service planning. Annual unsheltered counts have allowed it to more closely monitor trends in homelessness and better understand needs for housing and services. The Authority noted that about 75 percent of persons experiencing homelessness in the Los Angeles CoC area are unsheltered, which makes a regular unsheltered count critical to understanding the current needs for housing and services.

Because HUD's data show that California has the highest rate of unsheltered homelessness of any state in the nation, annually determining the size of the unsheltered homeless population is particularly important for the State's CoC areas. Furthermore, according to HUD, current and accurate data on the number and characteristics of homeless persons in the community are useful for policy and planning decisions and allow CoC areas to adjust the types of services available according to need, resulting in more efficient use of limited resources. Homeless population sizes can also change quickly; for example, in its survey response the lead agency for the Tuolumne, Amador, Calaveras, Mariposa Counties CoC area reported that Tuolumne County identified three times more homeless people in a summer 2017 count than it did in its January 2017 count.

However, 18 of the 40 CoC lead agencies responding to our survey stated that they did not perform an annual unsheltered count for several reasons: 14 stated that it was because they lacked funding, eight because they lacked volunteers, and 14 because HUD does not require an annual count (respondents could provide more than one answer). For example, the lead agencies for both the Sacramento City and County CoC area and the San Luis Obispo County CoC area stated in their survey responses that they lacked funding and internal capacity to conduct an annual unsheltered count. Similarly, the lead agency for the Santa Ana, Anaheim/Orange County CoC area stated that expense and manpower needs are too great to conduct an annual unsheltered count. Annual point-in-time counts can be expensive; the average cost per CoC area in California, based on information reported by 34 lead agencies, was nearly $89,500.[14] Even with the Los Angeles CoC area's $1.5 million reported cost excluded, the average reported cost was about $46,700. Lead agencies reported that they used city, county, HUD planning, private, and other nonstate funding to cover the costs of their point-in-time counts of unsheltered homeless. Thirteen CoC lead agencies also said that more funding would enable them to conduct

Annual point-in-time counts can be expensive; the average cost per CoC area in California was nearly $89,500.

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[14] Six of the 40 CoC lead agencies that fully responded to our survey did not report their costs for performing their point-in-time counts.

annual unsheltered counts. For instance, the lead agency for the El Dorado County CoC responded that if it had funding to support the annual count, as well as to support general CoC administration, HMIS administration, entry system administration, and the basic essentials for administering a CoC, there would likely be value in conducting an annual count, but it could not justify conducting an annual unsheltered count now because its resources are limited and they are needed for CoC administration.

HUD acknowledges that significant resources are needed to address the various housing and supportive service needs of homeless persons and that it is difficult to rely on CoC funding alone to address these needs.

Another activity that HUD recommends is raising funds from sources other than the federal government. It acknowledges that significant resources are needed to address the various housing and supportive service needs of homeless persons or those at risk of becoming homeless, and that it is becoming increasingly difficult for homeless programs to rely on CoC funding alone to address a community's homelessness needs. Therefore, it is critical that CoC areas seek out other resources to ensure that they can provide adequate housing and support services. Our survey asked CoC lead agencies to identify the grant-seeking or fundraising activities they engage in. Three CoC lead agencies indicated they were not able to conduct these activities because they had insufficient or no staffing. For example, the lead agency for the Colusa, Glenn, Trinity Counties CoC area stated that its fund-seeking activities were minimal because it had no staff to conduct grant research or grant writing in addition to supporting CoC administration.

Furthermore, some CoC lead agencies reported that they did not have strategic plans in place to help ensure coordination with other agencies that provide services to the homeless population. HUD recommends that communities attempting to address the complex and interrelated problems associated with homelessness marshal resources from a variety of partners, including community and economic development agencies, social service providers, local businesses, the philanthropic community, law enforcement, health care providers, and housing and homeless organizations. HUD further states that a communitywide planning approach under the CoC program encourages communities to move toward more broad-based planning and coordinated program development than would occur without that approach and that the effort to form and maintain a broad-based coalition requires a significant amount of time and resources from its participants.

In our survey, we asked CoC lead agencies if they have a strategic plan that integrates other publicly funded programs that provide services to the homeless population. The lead agencies for 12 CoC areas said that they lacked a strategic plan and, although seven of these were developing a plan, the others indicated that the lack of funding, staffing, and leadership as well as limited community involvement were challenges to having an integrated strategic

plan. For example, the Tehama County CoC lead agency reported that in the past, limited funding as well as limited participation in CoC activities by community providers were obstacles to the development of its strategic plan. This lead agency also reported that recent opportunities, including private community grants, have provided necessary resources and have motivated participation in the CoC area's development of a strategic plan.

Rural CoC Lead Agencies Identified Challenges in Implementing HUD Requirements

Thirty-three of California's 58 counties fall within 17 CoC areas that we identified as rural.[15] Responses to our survey show that some of these rural CoC lead agencies reported having difficulties implementing HUD requirements. For example, according to the lead agency for the Mendocino County CoC area, it is extremely difficult for small communities to sustain HUD-required activities without dedicated funding. Two such requirements are the entry system and HMIS, which we describe in the Introduction. In particular, three lead agencies serving 11 rural counties indicated that administering the entry system is difficult to do, in some cases over large geographic areas. One CoC lead agency also mentioned funding challenges in implementing the entry system. The lead agency for another CoC area noted that the CoC's area covers seven counties (Shasta, Siskiyou, Lassen, Plumas, Del Norte, Modoc, and Sierra) and that trying to serve more than 1,100 homeless individuals on extremely limited funding, including attempting to get a compliant entry system in place with three providers across those seven counties, is a huge task. The Authority's experience in the Los Angeles CoC area demonstrates that implementing and operating entry systems can be expensive. According to its associate director of operations, it took approximately $26 million to establish its entry system's components, and it takes approximately $65 million annually to operate the entry system. We describe the required entry systems in a text box on page 11 in the Introduction.

Survey responses also demonstrate that some CoC areas face challenges in administering HMIS. As we discuss in the Introduction, each CoC area needs to have an HMIS lead. Furthermore, HUD requires CoC program funding recipients to submit an annual performance report prepared using data from HMIS. Although federal regulations allow HMIS leads to use CoC program funds for implementing and complying with HMIS

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[15] We identified California's rural counties by calculating the percentage of each county's population living in rural areas based on data from the 2010 federal census. We included three urban counties (Fresno, Placer, and Sutter) among the 33 counties in this group because their CoC areas also included rural counties we identified.

requirements, the lead agency for the El Dorado County CoC area (El Dorado) stated that it uses nearly all $10,000 of its annual HUD grant to fund its HMIS software licenses. Additionally, El Dorado said that for small counties with little resources, few systems have been developed to help address homelessness, and that visible homelessness will continue to increase for some years to come. It reported that it simply did not have the capital to invest in this system, and that it takes time to develop data, demonstrate need, express cost savings, and grow support from partners when none of the administrative infrastructure has been developed. El Dorado noted that it would be helpful if rural counties were able to apply for grant funds that would be strictly dedicated to CoC administration.

Opportunities Exist for the State Homeless Council to Help CoC Lead Agencies Better Address Homelessness

Opportunities exist through which the state homeless council can help California's CoC lead agencies better address homelessness in their areas. As discussed earlier, the state homeless council agreed to several goals to be achieved between now and July 2019. Included among these goals is an analysis to provide it with data on needs throughout the State. If the results of this analysis also identify best practices, and perhaps even promising or emerging practices, for administering homeless programs and services, the state homeless council may be able to identify opportunities to increase the use of these practices in more CoC areas. This could increase California CoC areas' competitiveness in HUD's national competition for funding: HUD considers information about the CoC's planning body, governance structure, overall performance, and strategic planning process to determine the order in which CoC areas across the nation are funded.

HUD considers information about the CoC's planning body, governance structure, overall performance, and strategic planning process to determine the order in which CoC areas across the nation are funded.

Additionally, because the state homeless council included actions related to the entry system and HMIS on its list of prioritized goals and actions to be achieved by June 2019, it has an opportunity to help rural CoC lead agencies better implement these HUD requirements. In its January 2018 meeting, the state homeless council included among its prioritized goals and actions acting as a policy development resource on ending homelessness in California by setting basic expectations for all California entry systems and goals for how state programs could interact with these entry systems. The prioritized goals and actions also included authorizing an interagency working group to develop a scope of work and implementation plan for building a statewide warehouse for data from local information systems. Through the accomplishment of these goals and actions, the state homeless council could identify additional assistance for CoC lead agencies to better support their entry systems and HMIS.

Furthermore, the state homeless council could address the absence of strong state leadership, which currently creates challenges for rural CoC areas. At the moment, lead agencies for each CoC area are responsible for planning and administering homeless services within their geographic area. In contrast to this structure, more than 30 states have a *balance-of-state CoC area*, which can consist of multiple rural counties, and thus can maximize the funding potential and take advantage of economies of scale for large geographic areas. For instance, Nevada has a balance-of-state CoC area for those parts of the state outside of the Las Vegas/Clark County and Reno/Sparks/Washoe County CoC areas. For 2016 HUD awarded the Nevada balance-of-state CoC area about $575,000, or $2,861 per homeless person in its area. In contrast, 13 of California's 17 rural CoC areas received HUD awards amounting to less than $1,000 per homeless person, and two of these received no HUD CoC awards.[16] For the other 11 California rural CoC areas the average HUD award per homeless person was about $533. As noted earlier, HUD considers information about the CoC's planning body, governance structure, overall performance, and strategic planning process to determine the order in which CoC areas across the nation are funded. Helping rural CoC areas improve these factors could increase their competitiveness in HUD's CoC grant program competition for funding.

One benefit of a balance-of-state CoC structure is that the lead agency (which can be a state agency) can be responsible for administrative duties that can overwhelm lead agencies for rural CoC areas, including coordinating the annual homeless counts and submitting the area's applications for CoC program funding. HUD acknowledges that operating a CoC area can impose administrative burdens. In fact, HUD strongly encourages CoC areas to merge with one or more other CoC areas if they have struggled in the CoC funding competition and if managing their homelessness system is overwhelming. Merging CoC areas means creating a single governance structure from existing, separate structures, and the decision to merge is made by the CoC areas involved. HUD acknowledges that mergers can be complicated and require lots of planning and coordination. As of February 2018, HUD plans to provide resources to CoCs to address concerns and show how CoC areas have successfully overcome them. HUD also reported that in the most recent CoC program competition it provided bonus points to CoC areas that had merged. Further, HUD stated that it is committed to helping CoCs successfully merge and intends to continue to find ways to incentivize those mergers. According to HUD, such mergers can result in improved coordination of services, effective HMIS implementation, more efficient resource

One benefit of a balance-of-state CoC structure is that the lead agency (which can be a state agency) can be responsible for administrative duties that can overwhelm lead agencies for rural CoC areas.

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[16] HUD awarded no CoC funding for 2016 to the Colusa, Glenn, Trinity Counties CoC and the Lake County CoC.

allocation and planning, and improved competitiveness for new resources. If the state homeless council facilitated discussions with existing CoC lead agencies about creating a balance-of-state CoC area, it could create opportunities to remove the administrative burden from local entities, thus giving them more resources to implement HUD-recommended activities and improve their services for California's homeless population.

Recommendations

To better serve the needs of homeless Californians, and to provide statewide leadership to agencies at all levels for better coordination of efforts to address homelessness, the Legislature should enact legislation and include funding within the Budget Act of 2018 that will allow for the following actions:

- The state homeless council to hire permanent staff, including the appointment of an executive director.

- California's CoCs to obtain the state funding necessary to better implement HUD-recommended activities, including annually counting the unsheltered homeless population, improving efforts to raise nonfederal funding, and improving their coordination with other agencies; and to more fully meet HUD requirements, including implementation and administration of the HMIS and entry systems.

Furthermore, the Legislature should require the state homeless council to take the following actions:

- By April 1, 2019, develop and implement a statewide strategic plan for addressing homelessness in California, including goals and objectives and timelines for achieving them, and metrics for measuring their achievements. Included among the goals and objectives should be the identification of additional funding sources that state and local agencies can use to better address California's homelessness issues.

- By January 1, 2019, implement steps to assist CoC lead agencies in better implementing HUD-recommended activities, including conducting annual counts of the unsheltered homeless population, raising nonfederal funding, and coordinating with other agencies.

- By January 1, 2019, implement steps to assist CoC lead agencies in better meeting HUD requirements, including implementation of the HMIS and entry systems. The state homeless council should include among its considerations the establishment of a balance-of-state CoC area to help alleviate the administrative burdens imposed on CoC lead agencies, especially in rural areas.

Chapter 2

DESPITE A REASONABLE PROCESS FOR CONSIDERING FUNDING APPLICATIONS, THE AUTHORITY CAN DO MORE TO ADDRESS FUNDING VARIATIONS ACROSS LOS ANGELES COUNTY

Chapter Summary

The Authority employs a reasonable process for evaluating and approving applications for funding for new projects. Multiple staff from several departments review portions of each application and assign a score to their portion. Following the evaluation, one unit consolidates the scores and ranks each application according to criteria approved by the Authority's commission. We reviewed a selection of applications for funding for new projects and found that the Authority consistently followed its evaluation process. Moreover, the Authority revised its application process in 2017 to address issues it identified as inefficient and as impeding the success of some applicants. Specifically, the Authority now requires that applicants prequalify before applying for funding through a competitive grant. This allows the Authority to provide feedback and assistance to applicants to improve their chances of success. However, despite its reasonableness, we identified certain deficiencies associated with the Authority's evaluation process, including outdated written procedures, staffs' poor use of its computer network, and a flawed documentation process. Although the Authority has begun to address some of these issues, it needs to fully implement improvements to ensure that the evaluation process is more efficient, effective, and transparent. Additionally, the Authority was unable to provide a complete list of its renewal projects or sole-source projects funded through the city of Los Angeles or Los Angeles County because it does not track which procurement method it uses to award funds. However, it could identify its renewal projects funded through HUD, and we found that the Authority employed a prudent process for prioritizing, scoring, and ranking those projects.

Although its application evaluation process is reasonable and consistent, we found that the Authority awarded the smallest amount of funding for new projects to providers in service areas outside the city of Los Angeles. This variation exists primarily for two reasons. First, some fund sources restrict the geographic areas where the Authority can allocate their funds, and second, fewer homeless service providers apply for funding in some service areas. In fact, the providers in those service areas that were awarded the least amount of funding also generally submitted the fewest applications. However, the Authority has taken some actions that could somewhat rebalance funding distributions. For example, it employs a reallocation strategy for HUD-funded projects

The Authority lacks the ability to adequately analyze its funding decisions based on geographic area and does not have an adequate database to track the results of its application evaluation process.

that provides new funding opportunities for service providers that apply for new projects without regard to service area, which satisfies HUD priorities. It has also recruited service providers to fill services gaps in certain service areas. But the Authority lacks the ability to adequately analyze its funding decisions based on geographic area and does not have an adequate database to track the results of its application evaluation process. Although the Authority is providing technical assistance in an attempt to increase its service provider base, it is hindered in doing so without analyzing why providers do not qualify for funding during the evaluation process. Because it lacks these data, the Authority is missing an opportunity to address at least some of the causes of its funding variations.

The Authority Consistently Uses a Reasonable Process to Evaluate Applications for Funding, Although Some Areas Need Improvement

The Authority's multiple-reviewer evaluation process mitigates the possibility of preference in its funding recommendations. During fiscal years 2014–15 through 2016–17, the Authority evaluated whether applicants met the minimum requirements to manage public funds in a portion of the competitive process called the *threshold review*. Additionally, the Authority measured the ability of applicants to carry out the specific project during a second phase, *quality review*. During both of these phases, multiple staff from different units within the Authority evaluated portions of the application based on their expertise. Recently, the Authority made a change to its application process to address inefficiencies and other issues that it believed were impeding the success of some applicants. However, we still found certain deficiencies in the evaluation process. Additionally, although the Authority also employed a prudent process for prioritizing, scoring, and ranking renewal projects funded through HUD, it was unable to provide a complete list of either renewal projects or sole-source projects funded through the city of Los Angeles or Los Angeles County because it does not track its contracts by the procurement method.

The Authority's Process for Evaluating Applications Is Reasonable

According to the Authority's policy, during fiscal years 2014–15 through 2016–17 it could use one of three procurement methods for selecting service providers and determining or renewing award amounts for contracts to provide homeless services within the Los Angeles CoC area. For projects that had not been previously funded, either it could use a competitive process by issuing an RFP (new projects) or it could issue noncompetitive sole-source contracts (sole-source projects). For previously funded projects that had reached the end of their contract and were eligible for renewal (renewal projects), the Authority evaluated the existing provider to

determine if it should continue to fund the project. Depending on the procurement type, the Authority used a different review process when it considered whether to contract with service providers. We summarize the process the Authority used to evaluate applications for new projects using a competitive bidding process that Figure 5 on the following page shows. For sole-source projects, the Authority's procurement policy required that it use criteria set forth in federal regulations when choosing a service provider because it is the only one able to provide a desired service; because the matter is exigent, emergent, or urgent and does not permit the time to use a competitive process; or because after solicitation of a number of service providers, competition is determined to be inadequate. For renewal projects, the Authority first determined whether funds were available and subsequently evaluated whether the service provider was in good standing.

We found that the Authority consistently used the same process to evaluate competitive applications for funding for new projects without regard to the service area. To evaluate applications it received during fiscal years 2014–15 through 2016–17, staff used a two-phase process modeled after HUD's two-tiered application evaluation method. As shown in Figure 5, multiple departments and one external reviewer evaluated different portions of the application, and both the Authority's Programs and Evaluations Committee or its commission approved the Authority's recommendations for both phases of the process. We confirmed that during the first phase—threshold review—the Authority verified that service provider applicants met basic requirements relevant to successfully managing a public grant. During the second phase—quality review—we found that the Authority assessed the applicant's ability to provide the services outlined in the funding opportunity. Detailed information on applications for funding for new projects received by the Authority during fiscal years 2014–15 through 2016–17 and their evaluation results are shown in Appendix A beginning on page 57.

Although applicants usually failed threshold review for common, easily correctable reasons, they had the option to appeal the Authority's recommendation if the Authority did not follow its process. As Table 5 on page 43 shows, the most common reason for failure at this phase was a lack of completeness. Specifically, applicants did not submit required documents, as described in the text box, or did not complete some portion of the application.

Documents the Authority Uses to Measure a Service Provider's Ability to Manage Public Grants and to Assess Application Completeness

- Articles of incorporation

- Business licenses

- Current applicable IRS filings

- Proof of active nonprofit status with the IRS

- Proof of active business entity status with the State of California

- Proof of IRS tax-exempt status (501(c)3 letter)

- Bylaws

- Organizational chart

- Executive leadership and/or senior management resumes or biographies

- Nepotism policy

- Financial statements

- Conflict-of-interest policy

- Current organization budget approved by its board

- A plan showing how different costs will be allocated to different funding sources (if applicable)

- Proof of site control, such as a lease or certification of occupancy

- Americans with Disabilities Act policy and procedures

- Proof of liability and workers' compensation insurance

- Grievance policy

Source: Core documents list obtained from the Authority.

Figure 5
The Authority Uses a Reasonable Process to Evaluate Applications for Funding New Projects for Homeless Services

The Authority's Evaluation Process
Portions that are consistent pre- and post- August 2017

The Authority issues an RFP to fund homeless services

Mandatory bidders conference

Post-August 2017, the Authority implemented Request for Statement of Qualifications (RFSQ) Certification.

RFSQ CERTIFICATION
• Valid for five years.
• Allows applicants to bypass the Threshold Review Process.

Q&A period

Agencies submit applications

Pre-August 2017, the Threshold Review was the standard process before Quality Review.

Threshold Review

Procurement Unit
• Verified application completeness
• Determined eligibility per HUD requirements and priorities
• Notified applicants if they passed or failed.

Finance Monitoring Unit
• Assessed financial stability
• Assessed organizational capacity

PASS — no / yes

APPEAL — no / yes

The Authority's Program and Evaluation Committee or its commission gives final determination for approval. — no / yes

APPLICANT EXITS THE PROCESS

Quality Review—applicants need at least 75% of total points to pass

Procurement and Performance Department
Evaluates program components such as the program's design and readiness

Data Management Department
Evaluates service providers' past performance

Finance Department
Evaluates program budget and cost efficiency

Total Score: 65% / 25% / 10%

Procurement Unit
• Notifies applicants of results
• Ranks applications and allocates the funds to successful projects until funds are exhausted

PASS — no / yes

APPEAL — no / yes

ARE FUNDS AVAILABLE? — no / yes

The Authority's Program and Evaluation committee gives approval

The Authority's commission gives approval*

APPLICANT EXITS THE PROCESS

Contract with agency

Agency provides services to the homeless

Sources: California State Auditor's analysis of the Authority's policies and interviews with staff.

* The commission approved all recommendations the procurement unit presented to it during our testing period.

Table 5

Between Fiscal Years 2014–15 and 2016–17 Applicants Usually Failed Threshold Review for Reasons That Might Have Been Remedied Through Technical Assistance

REASON FOR FAILING	NUMBER OF APPLICATIONS
Completeness	22
Financial stability	5
Ineligible component or entity	5
Organizational capacity	3
Total Threshold Failures	**35**

Source: California State Auditor's analysis of application results for fiscal years 2014–15 through 2016–17 obtained from the Authority.

Note: During fiscal years 2014–15 through 2016–17, six of the 25 applicants that applied failed threshold review multiple times.

We found that once an applicant passed the first phase, the Authority evaluated the merits of the proposed project and whether the applicant had the capacity to carry it out. During this second phase of the evaluation, the Procurement and Performance Department, the Data Management Department, and the Finance Department all evaluated different portions of the application. Given the number of departments and individuals who evaluated some portion of each project proposal, it would be difficult for any one individual to significantly influence the evaluation process.

The Authority Has Started Making Changes to Improve Its Application Process for New Projects

In August 2017, the Authority implemented a review process that eliminated the need for threshold review. The Authority began evaluating applications for basic requirements before, rather than during, the competitive process to increase efficiency for the Authority as well as the service providers. As we depict in Figure 5, in the Authority's new RFSQ process, providers must be certified as qualified bidders before applying for a competitive funding opportunity. The Authority evaluates providers' qualifications using a process and criteria similar to threshold review. Once a provider qualifies, it does not need to requalify every time it responds to an RFP. This saves the provider time and resources because it only needs to update some information each time it submits an application in response to an RFP. The Authority issued its first RFP requiring the RFSQ process in August 2017. The Authority reported that prequalifying providers speeds up the RFP timeline by four to six weeks. Additionally, because the RFSQ evaluation occurs before the competitive process, Authority staff can provide feedback and assistance to help providers prequalify to apply. For example, during our fieldwork we observed procurement unit staff working with service providers to ensure that they submitted the correct and

current documents to increase the likelihood they would be approved for certification as a qualified bidder. As a result, more providers are likely to qualify to compete for funding since the Authority implemented its RFSQ process. According to the Authority's year-to-date report of RFSQ application results to its commission in January 2018, the Authority certified 11 new providers.

The Authority Should Still Make Certain Improvements to Its Application Review Process

Although the Authority consistently followed its process for evaluating applications for publicly funded new projects and has made some improvements to its process, others are still needed. First, to protect institutional knowledge, the Authority should update its written policies and procedures. Next, to improve transparency and accountability, the Authority should better document its application review process. Additionally, to manage tasks effectively and efficiently, the Authority should improve its staffs' use of its computer network. Finally, to identify barriers to applying for funding, the Authority should survey those who attend the mandatory bidders conference but do not apply.

The Authority has not updated its policies and procedures since 2010, and thus it does not have current written procedures for much of its application evaluation process.

The Authority has not updated its policies and procedures since 2010, and thus it does not have current written procedures for much of its application evaluation process. For example, although the Authority implemented an electronic application system in 2014, the written procedures still require applicants to submit multiple copies of their proposal to front desk personnel, who then create a paper receipt and time-stamp the documents. Furthermore, in 2016 the procurement unit implemented a new process in which it creates the review instructions and evaluation tools while drafting the RFP. This helps ensure that reviewers score proposals based on the criteria included in the specific published RFP. To determine the transparency of the evaluation criteria, we reviewed three RFPs—one issued before the new process was implemented and two issued after it. We did so by comparing the criteria in the RFP information posted on the Authority's website to the instructions and evaluation tools the Authority developed. For the 2015 Crisis Housing for Individuals RFP, issued before the new process, we found that the criteria for six of 17 points of evaluation in the tools reviewers used did not match the published criteria. On the other hand, all points of evaluation agreed for the RFPs we reviewed for fiscal years 2015–16 and 2016–17. However, because the Authority has not updated its policies and procedures to include changes like these, it risks having staff use outdated processes that could reduce transparency. The Authority recognized the need for updated policies and procedures and hired a contractor in 2016 to create them. The contract term runs through December 2018.

We also found that the Authority did not indicate in the evaluation tool whether the applicant passed. Specifically, to determine whether the Authority used its evaluation process consistently, we selected 34 applications that the Authority evaluated during fiscal years 2014–15 through 2016–17, and we noted that after fiscal year 2014–15, staff did not always indicate in the evaluation tool whether the applicant passed or failed. In fact, staff did not include this determination on tools for 21 of the 26 applications we reviewed for fiscal years 2015–16 through 2016–17. Although the formulas in the tools calculate the score for financial stability, which is an important indicator of whether an applicant would be a good steward of public funds, staff still should have completed the remainder of the tools used to evaluate applicants' success. Alternatively, the Authority should build tools that reflect its actual process. According to the Authority's associate director of monitoring and compliance, the Authority tracked passing and failing on separate tracking lists, not on the individual tools. However, these tracking lists do not show how the Authority calculated the score, the reason for the pass or fail, or staff notes.

Additionally, we found that the Authority did not fully document the supervisory review of its evaluation process. Although training documents we obtained from the Authority's director of finance show that both staff and management reviewed the evaluation tools, we were unable to confirm that these reviews took place by observing the tools themselves because the review process happens via email between staff members, management, and the director of finance. After we brought our concerns to the attention of the Authority's management, it began documenting meetings in which it discusses funding decisions. However, the Authority still needs to formalize this practice when it updates its policy and procedures.

Moreover, the Authority's staff do not use the network hard drive, which can reduce the effectiveness and efficiency of its feedback process. As we described earlier, different departments review different sections of funding applications. According to the Authority's policy, staff must save all evaluation documents in one location on its network hard drive. When a service provider requests information about how it fared during the application evaluation process, the procurement unit is responsible for providing a scoring debrief that details all the scores and comments. However, we found that in multiple instances, staff failed to save documents in the specified location, potentially impeding the procurement unit's ability to effectively debrief service providers. We also found evidence at the specified location of broken links, empty folders, and multiple versions of documents on the network hard drive, which increases the risk of inadvertently withholding information that should be easily accessible. To increase efficiency and transparency, the Authority is in the process of implementing

Authority staff failed to save evaluation documents in the specified location, potentially impeding the procurement unit's ability to effectively debrief service providers on scores and comments.

a document management and storage system. This system will label and organize documents and maintain a history of document versions to support interdepartmental and cross-team work. According to the chief operating officer, the Authority is attempting to implement the new system by June 2018.

The Authority has also missed an opportunity to identify barriers to potential service providers by not reaching out to attendees of the mandatory bidders conference who did not subsequently apply for funding to determine why they did not apply. For example, in the 2015 Crisis Housing and Services RFP, we found that no providers from service area 1 (Antelope Valley) submitted an application for funding. However, two representatives from the city of Lancaster attended the mandatory bidders conference. When we asked the Authority why representatives from service area 1 attended the conference but no service providers applied, the associate director of operations speculated that the reason might be that the RFP consisted of over $9 million in city of Los Angeles funding and only about $400,000 in Los Angeles County funding, and providers in service area 1 are ineligible to receive city of Los Angeles funding. However, without following up with attendees, the Authority does not know why they did not apply. The Authority should obtain and track the reasons attendees of the bidders conference do not apply for funding to determine whether barriers exist that deter service providers from applying and, if so, develop solutions to address them.

The Authority should determine whether barriers exist that deter service providers from applying for funding and, if so, develop solutions to address them.

Although Its Data Lacked Service Area Identifiers, the Authority's Process for Evaluating HUD Renewal Projects Is Sound

The Authority does not track projects by type—such as new, renewal, or sole-source—as its policy requires and could not provide us with a list of renewal projects or sole-source projects. Thus, we could not determine whether it followed its process for vetting those providers and awarding funds for those projects.

However, the Authority and HUD work together to produce a grant inventory worksheet for all HUD projects up for renewal each year. This worksheet allowed us to select HUD renewal projects for review. Even though we were able to identify HUD projects up for renewal and test the HUD renewal process, we were not able to determine the amount of funding that HUD awarded by service area because the Authority's data system lacked an identifier to tie these projects to a specific service area. Although we recognize that some projects operate across multiple service areas, we cannot determine what proportion of HUD projects operate this way,

because the Authority does not track this information. However, during our testing of new projects over three years, only 19 of 297, or about 6 percent, applied to serve more than one service area.

Although the Authority uses the same evaluation process for all new projects regardless of funding source, new projects competing for HUD funds must be incorporated into the consolidated application with the renewal projects for that year. This also means that HUD makes the final decisions as to which projects to fund and for how much. The Authority is responsible for evaluating and ranking the projects and for submitting one consolidated application to HUD on behalf of the entire Los Angeles CoC area.

The Authority's goal is to submit the strongest application to HUD for the Los Angeles CoC area as a whole, given the criteria HUD disseminates in each notice of funding. If a renewal project meets the criteria for reallocation set forth in the CoC board-approved policy, as described in the text box, the Authority can elect not to include the project in the consolidated application. The Authority then includes that amount in its solicitation for applications for funding for new projects within the CoC area that align with HUD priorities. We described the evaluation process for applications for new projects earlier in this chapter and in Figure 5. We selected 20 renewal projects in the 2016 HUD application and found that the Authority ranked all of them according to its approved policies. We also looked at all five projects that had part or all of their funds reallocated by the Authority during fiscal year 2016–17 and found that the Authority followed its reallocation policy in each instance.

> **The Authority's Reallocation Criteria for the 2016 HUD CoC Program Competition**
>
> The Authority reallocated funding from projects for which the service provider:
>
> - Underspent its grant by 5 percent or more for three consecutive years.
>
> - Exceeded reasonable costs to move persons from transitional housing to permanent housing.
>
> - Performed below reasonable standards.
>
> - Failed to commit to HUD's policy priorities, such as Housing First.
>
> Sources: California State Auditor's analysis of the Authority's reallocation policy for the 2016 CoC Program Notice of Funding Available.

Even Though the Authority Has Made Efforts to Address Funding Variations Across Service Areas, It Has Not Adequately Used Data to Analyze These Efforts

The Authority has taken steps to address the causes of funding variation, including reallocating funds to increase amounts of new funding opportunities, reserving funds for underserved service areas, and providing technical assistance to increase the pool of qualified service providers. However, it lacks the ability to adequately analyze the effects of its funding decisions based on service area, and it does not adequately track data regarding its application evaluation process. Because it does not track or use its application process data effectively, the Authority is missing an opportunity to better address funding variances across service

areas within its CoC area. Furthermore, the Authority is the only entity that has access to information regarding HUD CoC program awards as well as new or ongoing projects with city of Los Angeles or Los Angeles County funding within the Los Angeles CoC area. Being able to track and report that information, as well as to track project awards and outcomes by service area, is imperative if it is to fulfill its responsibilities as the lead agency for the CoC area.

The Authority Has Taken Some Steps to Address Restrictions and Difficulties That Cause Funding Variations

The Authority does not have final control over which service areas it awards public funding to. First, the city of Los Angeles and Los Angeles County impose rules on the funds they provide. For instance, the city and county agreed that city funds must be used to fund services within the city. Thus, providers proposing projects in areas outside these boundaries—service areas 1, 3, 7, and certain portions of service areas 2, 5, and 8—are not eligible to receive city of Los Angeles funds. Furthermore, although the Authority is required to consider the needs identified in the urban county areas when evaluating a project funded by Los Angeles County funds, it sometimes gives priority consideration to projects located in service areas outside the city limits. Additionally, Los Angeles County cannot unilaterally reduce the amount of its funding to providers in service areas within the city boundaries. For example, when Los Angeles County voters passed Measure H in March 2017, which will provide $355 million a year for 10 years to address homelessness, the county required that, to the extent feasible, Measure H funds were to be allocated based on geographic need as set forth in the Authority's point-in-time count. Second, as mentioned earlier, HUD makes the final decisions as to which projects it will fund and does so without regard to service area. In Appendix B, we discuss the details of the amounts the Authority awarded for new projects per capita for fiscal years 2014–15 through 2016–17, displayed by service area and the source of the funding.

The lack of service providers applying for funding in certain service areas can cause variation in the funding the Authority awards each service area.

In addition to restrictions or requirements placed on certain funding streams, the lack of service providers applying for funding in certain service areas can cause variation in the funding the Authority awards each service area. As we discuss in Appendix B, during fiscal years 2014–15 through 2016–17, providers in service areas 1, 3, and 7 generally received less funding per capita. We also found that providers applying for funding to provide services in these areas submitted fewer applications than those applying to provide services within the city, as shown in Table 6.

Table 6
Fewer Providers Applied for Funding in Service Areas Outside the City of Los Angeles Boundaries During Fiscal Years 2014–15 Through 2016–17

SERVICE AREA	NUMBER OF SERVICE PROVIDERS THAT APPLIED FOR FUNDING
Ineligible for city funds	
1–Antelope Valley	4
3–San Gabriel Valley	7
7–East LA	6
Partially eligible for city funds	
2–San Fernando Valley	11
5–West LA	10
8–South Bay/Harbor	10
Mostly eligible for city funds	
4–Metro	23
6–South LA	27

Sources: California State Auditor's analysis of application data, map of service areas within Los Angeles County and the city of Los Angeles, and the joint exercise of powers agreement between Los Angeles County and the city of Los Angeles.

However, as discussed previously, the Authority reallocates some HUD funding, which could help offset some of the funding variation across service areas. Specifically, when the Authority reallocates HUD funding, it creates opportunities for providers in any service area to apply for funding for new projects and at the same time preserves those HUD funds for the Los Angeles CoC area. For example, if service providers in underserved areas submit strong applications that include projects that address HUD priorities, this strategy could result in HUD awarding more money to those areas. However, although the Authority scores and ranks new project applications according to HUD's priorities, HUD makes the final funding decisions. Thus, a reallocation strategy may help, but it will not guarantee that providers in underserved areas receive awards.

The Authority also took steps to ensure that it provided program funding to serve the homeless population in all service areas, even when no service providers applied. For example, no providers from service area 5 applied for funding under the February 2017 RFP for the Independent Living Program (ILP). This program provides transitional housing for former foster youth. Because no service provider applied to run this program in service area 5, the Authority set aside about $101,000 for that area. According to the performance management supervisor, the Authority then took

several steps to secure a qualified service provider. For instance, according to the supervisor, the Authority contacted a service provider operating in service area 5 about expanding the services it provided to include ILP, it contacted a service provider operating outside service area 5 about expanding its services to include ILP services in service area 5, and it met with a service provider with whom the Authority had not previously contracted to provide ILP services in service area 5. However, the supervisor stated that as of January 2018, the Authority had been unable to contract with a provider to run an ILP project in service area 5. According to the Authority's performance management supervisor, the high rents in service area 5, coupled with the low amount of funding per bed provided in that RFP, made locating and securing a provider difficult. In fact, she stated that one potential provider had said that it did not see how it could run an effective program with the low amount of funding per bed, given the scope of required services. Thus, as of January 2018, these funds remained on hold, and the 325 homeless youth in service area 5 who might be eligible remained without ILP services.

Moreover, the Authority has worked with government entities to prevent service disruption in service area 1. For example, in Lancaster, a service provider operated a shelter in a building it leased from the Lancaster Redevelopment Agency at a cost of $1 per year, and the Lancaster Redevelopment Agency covered the cost of the building maintenance.[17] However, according to the Authority's director of programs, the service provider's board of directors closed the shelter because resources were lacking. According to the city of Lancaster's director of housing and neighborhood revitalization (housing director), the city decided not to have a different provider operate the shelter because the building was old and unsuitable, among other reasons. The housing director also indicated that the city of Lancaster has shifted its strategy for homeless services: it recently committed resources, such as land and funding, to develop permanent supportive housing for the homeless population by December 2018. To mitigate the immediate effects of the shelter's closure, the Authority contacted officials from the Board of Supervisors of the County of Los Angeles about identifying another site for the shelter. The Authority subsequently contracted with a provider to operate a winter shelter program in the Lancaster Armory. Additionally, the Authority took other steps to relocate homeless individuals to other shelters.

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[17] In 2011 the Legislature enacted a law to abolish redevelopment agencies. The city of Lancaster is the successor agency to the former Lancaster Redevelopment Agency.

The Authority Lacks Data to Effectively Target Assistance to Service Providers and to Communicate Areas of Need to Funders

The Authority's limited data hinder its ability to identify and address funding variations and unmet demand for services across its service areas. Although the Authority has taken some steps to address funding variations across service areas while making funding decisions, it has not adequately used data to analyze the effects of its efforts. To begin with, the Authority could not determine how much money it distributed to each service area for our audit period because its accounting system lacked a field to record the service area. Although the accounting system could identify funding distribution by contract, we found that the Authority's contract database contained errors that made it impossible to accurately tie contract distributions to service areas. Furthermore, as we discussed previously, because the Authority does not track contracts by procurement method, we could not identify contracts for renewal projects funded by the city of Los Angeles and Los Angeles County, or any sole-source contracts.

Additionally, the Authority lacks organized application evaluation data because it does not have a database that can track these processes or their results. The Authority was initially unable to provide us a complete or accurate list of RFPs and applications for funding for fiscal years 2014–15 through 2016–17 because instead of a data system, the Authority stores application information for each RFP in multiple spreadsheets. For the 11 RFPs the Authority issued from fiscal years 2014–15 through 2016–17, we requested a list of applications with key data fields. The Authority provided us with information for each RFP from multiple spreadsheets. However, even after it provided multiple iterations of the list at our request to clarify missing, incomplete, and inconsistent information, the list still contained inaccurate or inconsistent information in numerous fields, including applicant name, service area, program, funding source, and amount awarded. We found that the Authority inconsistently shortened titles, which resulted in several versions of the same document and files being mislabeled and caused many of the errors we identified. The Authority could have avoided these errors by using a data system to track RFP results and application evaluation results in the aggregate. According to the director of procurement and performance management, using spreadsheets was sufficient when the Authority received less funding and issued fewer RFPs. For example, the Authority issued only two RFPs in fiscal year 2014–15 compared with three and six in the subsequent years. However, given the increase in the number of RFPs it will issue because of Measure H revenues, the Authority should implement a tracking system. Such a system should enable the Authority to track its process and workflow so that it can report the results of its application review process as well as track funding

Although the Authority has taken some steps to address funding variations across service areas while making funding decisions, it has not adequately used data to analyze the effects of its efforts.

amounts by service area and homeless subpopulation. Because the Authority does not track the results of its application evaluation process or funding amounts by service area, it cannot effectively track its results or effectively plan its homeless services.

Although the Authority recently made changes to both its accounting system and its contract database, it needs to do more to address its data issues. The Authority added new fields to its accounting system that could address its inability to determine how much funding it distributes to each service area. However, according to the associate director of finance, service area designation is only an option for these fields and the Authority has not decided on the exact usage of those fields. Furthermore, in 2016 the Authority began implementing a new contract lifecycle management system. This system allows the Authority to search and report on key data fields such as procurement type, award amount, total bed capacity, and service area. According to the grants and contracts supervisor, as of March 2018, the Authority was in the process of implementing this system for contracts. Finally, the new system also has the capability to track the application evaluation process and store application information for providers. However, according to the Authority's director of procurement and performance management, the Authority has not decided if it will use this capability or if it will seek another technology solution that would better meet this need, and it is evaluating alternate products for this purpose. To limit errors in its information, measure funding across its CoC area, report to stakeholders, and effectively plan for homeless services across its service areas, the Authority should promptly either implement a new data system or adjust its contract database to track the results of its application evaluation process.

The Authority should promptly either implement a new data system or adjust its contract database to track the results of its application process.

The Authority has technical assistance programs to help increase the administrative capacity of its service providers; however, if the Authority could analyze its application evaluation data, it could better identify providers' needs. Specifically, if it had these data, the Authority could track trends in the number of providers that apply in each service area over time, determine the most common reasons applicants fail, and target technical assistance to address those deficiencies. For example, during our analysis of the Authority's application evaluation data, we found that during fiscal years 2014–15 through 2016–17, providers from service area 6 submitted 74 applications; 20 failed the threshold review, and another 11 providers failed quality review. Additionally, eight providers from service area 4 failed quality review. As we mentioned previously, many of these providers failed to submit the proper core documents, which was the most common reason for failing threshold review. With adequate information, the Authority could have identified common problems and provided

technical assistance by holding workshops or publishing additional information to address common weaknesses. According to the Authority's capacity building manager, she used application evaluation results from one funding opportunity to target technical assistance to those providers. Additionally, she confirmed that it would be helpful to have aggregate application evaluation data for all funding opportunities to further target technical assistance.

Finally, if the Authority had better data, it could more effectively communicate its CoC area's needs to potential funding sources. For example, after we analyzed the Authority's application evaluation results, we found that the RFPs often do not have sufficient funding for all qualified projects. During our audit period, 16 applications for projects that qualified for funding requested a total of $8.5 million but did not receive any of it because higher-ranked applicants exhausted the available resources or the applicant was not eligible for those funds that were available. Although the Authority identifies needs in its community by periodically analyzing housing gaps, it should identify service provider needs in its application evaluation process and communicate these to potential funding sources. For the Authority to have a complete picture of the state of homeless services in the Los Angeles CoC, it should have accurate and reliable data at each point of the funding process, including the number of eligible providers, why providers do not apply for certain RFPs, which providers win funds and why, where they are located, and how programs are affecting the homeless population. The Authority is the only entity that has access to all of this information and how it intersects. This information is especially important given the expected influx of Measure H funds we mentioned previously.

Recommendations

To ensure the consistency and transparency of its processes, the Authority should do the following:

- Implement updated written policies and procedures by July 2018.

- Update its written policies and procedures regularly to reflect changes in its processes.

To ensure that its funding recommendations are effective, consistent, and transparent, by July 2018 the Authority should do the following:

- Develop and implement a process to ensure that staff complete evaluation tools as intended.

- Develop and implement a process to document supervisory review of its application evaluation process and of meetings in which it discusses funding decisions.

- Include these changes in its updated written policies and procedures.

To expand the number of service providers through targeted technical assistance, the Authority should do the following:

- Evaluate the use of a document management system to support the application evaluation process and implement the appropriate system by December 2018.

- Evaluate the effectiveness of the selected system within 12 months after implementation.

- Develop and implement a process to track aggregate application evaluation data, including the common reasons applicants fail to qualify for funding, among other information, by December 2018.

- Track service areas in its database management system or by another mechanism to identify accurately the results of its application evaluation process, amounts awarded, amounts funded, and amounts disbursed by service area by July 2018.

- Track HUD awards, including renewal projects, by service area by July 2018.

- Track the reasons that service providers who attend the mandatory bidders conference do not apply for funding, and address any barriers by July 2018.

- Continue its efforts to develop and implement technical assistance programs for service providers, and track and analyze the results of that assistance by April 2019.

We conducted this audit under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives specified in the Scope and Methodology section of the report. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Respectfully submitted,

Elaine M. Howle

ELAINE M. HOWLE, CPA
State Auditor

Date: April 19, 2018

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Appendix A

ALTHOUGH PROVIDERS FROM SOME SERVICE AREAS FAILED TO QUALIFY MORE OFTEN THAN OTHERS, THE AUTHORITY'S REASONS FOR ITS FUNDING DECISIONS WERE JUSTIFIED

From fiscal years 2014–15 through 2016–17, the Authority evaluated 297 applications in response to 11 RFPs. In general, the number of applications it receives fluctuates depending on the amount of funding available. For instance, in fiscal year 2015–16, Los Angeles County funds increased after the county Board of Supervisors approved $51.1 million to be used to combat homelessness. Additionally, in 2015 the Authority completely reallocated 58 and partially reallocated another 42 HUD grants that were up for renewal and at risk of losing funding; this caused over $14 million in funds to be available for new projects and resulted in an increase in applications for new projects in fiscal year 2015–16. The smaller number of applications in fiscal year 2016–17 resulted from the Authority reallocating only five HUD grants in that year.

Although provider applicants from certain service areas failed to qualify at either threshold review or quality review more often than those in other service areas, the Authority's review process is reasonable. In addition, the reasons for failure at both threshold and quality review were justified. In general, fewer than 10 percent of applicants failed either review for most service areas. However, as noted in Table A beginning on the following page, applicants from service areas 4 and 6 experienced higher failure rates, as did those that proposed to serve multiple service areas.

In addition, some applicants failed for the same reasons year after year. For example, one applicant in service area 6 applied for HUD funds four times during all three years of our audit period, and each time it failed threshold review for issues related to completeness or not being an eligible entity. In addition, some applicants were able to rectify one error but later failed for another reason. For example, one applicant in service area 6 failed multiple times in a single year: first because of financial stability and then for completeness issues only four months later. This type of iterative failure also caused the failure rate in certain service areas to appear higher than it would otherwise.

Table A
The Authority Approved the Majority of Applications It Evaluated for Most Service Areas

| SERVICE PLANNING AREA | NUMBER OF APPLICATIONS | | | |
	REVIEWED	FAILED THRESHOLD REVIEW	FAILED QUALITY REVIEW	APPROVED
Fiscal Year 2014–15				
1- Antelope Valley	2	0	1	1
2-San Fernando Valley	9	0	2	7
3-San Gabriel Valley	2	0	0	2
4-Metro	26	3	2	21
5-West LA	5	0	0	5
6-South LA	12	2	3	7
7-East LA	4	1	0	3
8-South Bay/Harbor	2	0	0	2
Subtotals	**62**	**6**	**8**	**48**
Multiple areas	4	2	0	2
Totals	**66**	**8**	**8**	**50**
Fiscal Year 2015–16				
1- Antelope Valley	10	0	0	10
2-San Fernando Valley	18	2	0	16
3-San Gabriel Valley	13	0	2	11
4-Metro	21	1	4	16
5-West LA	17	0	0	17
6-South LA	30	3	1	26
7-East LA	8	0	0	8
8-South Bay/Harbor	14*	0	0	14
Subtotals	**131**	**6**	**7**	**118**
Multiple areas	9	0	2	7
Totals	**140***	**6**	**9**	**125**
Fiscal Year 2016–17				
1- Antelope Valley	4	0	0	4
2-San Fernando Valley	6	1	0	5
3-San Gabriel Valley	9	1	0	8
4-Metro	14	1	2	11
5-West LA	6	0	0	6
6-South LA	32	15	7	10
7-East LA	4	0	0	4
8-South Bay/Harbor	9	1	2	6
Subtotals	**84**	**19**	**11**	**54**
Multiple areas	6	2	0	4
Totals	**90**	**21**	**11**	**58**

SERVICE PLANNING AREA	REVIEWED	FAILED THRESHOLD REVIEW		FAILED QUALITY REVIEW		APPROVED	
		NUMBER	PERCENTAGE	NUMBER	PERCENTAGE	NUMBER	PERCENTAGE
Fiscal Years 2014–15 through 2016–17 Combined Percentages							
1–Antelope Valley	16	0	0%	1	6%	15	94%
2–San Fernando Valley	33	3	9	2	6	28	85
3–San Gabriel Valley	24	1	4	2	8	21	88
4–Metro	61	5	8	8	13	48	79
5–West LA	28	0	0	0	0	28	100
6–South LA	74	20	27	11	15	43	58
7–East LA	16	1	6	0	0	15	94
8–South Bay/Harbor	25*	1	4	2	8	22	88
Multiple areas	21	11	68	21	2	13	68
Totals	**296***	**35**	**12%**	**28**	**9%**	**233**	**79%**

Source: California State Auditor's analysis of application information obtained from the Authority.

* In fiscal year 2015–16, one applicant withdrew its application after the Authority completed it threshold review, but before it completed its quality review. We omitted this applicant from this table.

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Appendix B

FUNDING FOR NEW PROJECTS VARIES ACROSS LOS ANGELES COUNTY BECAUSE OF FUNDING RESTRICTIONS AND LACK OF PROVIDER APPLICANTS

Service areas with providers that submit more applications generally receive more funding per capita. Although the Authority does not yet track its funding by service area or procurement type, we were able to analyze funding for new projects across service areas. As Table B beginning on the following page shows, service areas 1, 3, and 7 had no funding awards from the city of Los Angeles for new projects for fiscal years 2014–15 through 2016–17. These service areas are located outside the city of Los Angeles and therefore are not eligible for city funds. The table also shows an increase in county-funded awards for new projects starting in fiscal year 2015–16 and less variation in awards for funding across service areas in fiscal year 2016–17 than in fiscal year 2015–16. This is because in fiscal year 2016–17 programs for two RFPs required that services be provided in all service areas and that the funding amount be based on the point-in-time count. The Authority also awarded a minimal amount of state funding for new projects, all of which were associated with State Emergency Services Grants and limited to nonentitlement areas.

Table B

For New Projects Awarded During Fiscal Years 2014–15 Through 2016–17, the City of Los Angeles Funded More Per Homeless Person, but Los Angeles County Funded More Per Homeless Person for the Service Areas Outside the City Boundaries

FUNDING SOURCE BY SERVICE AREA	AMOUNT AWARDED PER HOMELESS INDIVIDUAL BY FISCAL YEAR		
	2014–15	2015–16	2016–17
Service Area 1 Antelope Valley*			
City funded			
County funded		$497	$562
State funded		270	
HUD funded	$46	43	
TOTALS FOR SERVICE AREA 1	**$46**	**$810**	**$562**
Service Area 2 San Fernando Valley			
City funded	$200	$465	$64
County funded		124	776
State funded			
HUD funded	193	554	
TOTALS FOR SERVICE AREA 2	**$393**	**$1,143**	**$840**
Service Area 3 San Gabriel Valley*			
City funded			
County funded		$686	$1,025
State funded			
HUD funded		331	227
TOTALS FOR SERVICE AREA 3		**$1,017**	**$1,252**
Service Area 4 Metro			
City funded	$379	$474	$153
County funded		61	394
State funded			
HUD funded		20	
TOTALS FOR SERVICE AREA 4	**$379**	**$555**	**$547**
Service Area 5 West LA			
City funded		$853	$77
County funded	$33	111	581
State funded			
HUD funded	122	540	58
TOTALS FOR SERVICE AREA 5	**$155**	**$1,504**	**$716**

FUNDING SOURCE BY SERVICE AREA	AMOUNT AWARDED PER HOMELESS INDIVIDUAL BY FISCAL YEAR		
	2014–15	2015–16	2016–17
Service Area 6 South LA			
City funded	$472	$1,157	$106
County funded		167	624
State funded			
HUD funded	193	480	
TOTALS FOR SERVICE AREA 6	**$665**	**$1,804**	**$730**
Service Area 7 East LA*			
City funded			
County funded	$38	$553	$476
State funded		139	
HUD funded	136		
TOTALS FOR SERVICE AREA 7	**$174**	**$692**	**$476**
Service Area 8 South Bay/Harbor			
City funded		$579	$99
County funded	$23	215	827
State funded			
Hud funded	145	211	
TOTALS FOR SERVICE AREA 8	**$168**	**$1,005**	**$926**
Total of All Service Areas Combined			
City funded[†]	$351	$831	$137
County funded	8	214	617
State funded		30	
HUD funded	162	348	48
CONSOLIDATED TOTALS	**$521**	**$1,423**	**$802**

Sources: California State Auditor's analysis of the Authority's application evaluation results for new project awards, including funding from the city of Los Angeles, Los Angeles County, and HUD CoC program, from July 1, 2014, through June 30, 2017, and the point-in-time homeless counts for 2015, 2016, and 2017.

Note: Some applicants applied to operate projects to serve the homeless populations in multiple service areas. We omitted these applications from this table.

* Service areas 1, 3, and 7 are located outside the city of Los Angeles and therefore are not eligible for city funds.

† For the combined total of the city of Los Angeles funded applicants, we used the point-in-time count of homeless population within the city of Los Angeles boundaries only, not the count of the homeless within the entire Los Angeles CoC. The Authority cannot award city of Los Angeles funds to serve the homeless individuals outside city boundaries.

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March 29, 2018

Elaine M. Howle, CPA
California State Auditor
621 Capitol Mall, Suite 1200
Sacramento, CA 95814

Subject: Response to State Auditor's Report No. 2017-112 regarding Los Angeles Homeless Authority

Dear Ms. Howle:

Thank you for the opportunity to review the California State Auditor's Report No. 2017-112. This report provides several recommendations that, once implemented, will enhance LAHSA's ability to track, report, and analyze funding decision data. LAHSA appreciates the professionalism and attention to detail your staff exhibited during the audit process and the final document reflects their effort.

General Comments

LAHSA appreciates the State Auditor's assertion that LAHSA's evaluation process mitigates preference in funding recommendations and that we consistently use a standardized process for evaluating competitive applications for funding projects.

As noted by the State Auditor, LAHSA's HUD evaluation methodology for HUD renewal projects is sound. LAHSA's CoC evaluation methodology, as approved by the CoC Board, ensures the Los Angeles CoC submits the strongest application to HUD. HUD does not award a majority of points based on underserved areas, but rather on applications which demonstrate alignment with HUD priorities as stated in each year's NOFA. LAHSA does consider the need in service areas in its efforts to encourage the submission of new project applications from these areas, however cannot control which agencies will apply nor the areas new projects will serve. Strong applications, regardless of service area, must be submitted during the national HUD NOFA competition in order for the CoC as a whole to be awarded the maximum amount of funds available. LAHSA's ability to continually secure additional CoC funds illustrates the soundness of the CoC's reallocation policy. In NOFA 2014, LA CoC received a $10 million bonus and in NOFA 2017 LAHSA received $109,398,295 in funds, an increase of nearly $5 million from last year. This represented the largest HUD Award the LA CoC has ever received.

As the funding available to homeless services has grown, LAHSA continues to evaluate our procurement process and seeks to make improvements to this system to ensure fair and unbiased evaluations. As mentioned by the State Auditors, LAHSA has taken steps to address funding variations such as creating new funding opportunities, reserving funds for underserved service areas, and providing technical assistance to increase the qualified applicant pool.

The Request for Statement of Qualifications (RFSQ) process represents LAHSA's commitment to streamlining the procurement process and expanding the eligible applicant base for new funding opportunities. LAHSA understood that many applications failed threshold review mainly due to incomplete applications such as

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failure to submit required documents or provide clear responses to basic application questions. In an effort to combat this, LAHSA developed the RFSQ process. As acknowledged by the State Auditor, the RFSQ process allows LAHSA staff to provide feedback and assistance to applicants and speeds up the Request for Proposal (RFP) timeline. In November 2017, LAHSA surveyed RFSQ participants in order to identify common issues and barriers. LAHSA is incorporating the results of these surveys into a RFSQ webinar which will be published by July 2018.

LAHSA acknowledges that funding decisions based on service area were not comprehensively tracked; however, this information was tracked on the individual RFP level since many funders require funding decisions based on the most recent homeless count results per service area. Through this individual tracking, LAHSA is able to assess service area shortages by RFP and will attempt to secure providers in the underserved service areas. As LAHSA is committed to ensure fair allocation of funding across service areas, LAHSA appreciates that comprehensive, aggregate data tracking would enhance our funding policies and decisions.

LAHSA agrees with the State Auditors assessment regarding the organization's application data. Starting with the influx of funding during fiscal year 2016-2017, LAHSA understood that our data storage system was not sufficient to meet the demand. As mentioned by the State Auditor, LAHSA procured Contract Logix in 2016. In addition, LAHSA began implementation of SharePoint to replace the network hard-drive with a cloud-based system. Once implemented, SharePoint will increase efficiency and transparency while eliminating information silos and duplicative work. An internal workgroup was created to ensure that SharePoint's structure and implementation matches staff needs and workflow processes. SharePoint's implementation timeline is on target and should be live June 2018. Furthermore, with the assistance of ABT Associates, a HUD Technical Assistance consulting firm, LAHSA has started planning the development of a grant management system. Through Contract Logix implementation, the SharePoint implementation, and the grant management system, LAHSA is enhancing our data standards, governance, and management.

Recommendations
To ensure the consistency and transparency of its processes, the Authority should:
Recommendation: Implement updated written policies and procedures by July 2018.
Concur. LAHSA recognized that necessary improvements to our policies and procedures were not formalized and hired a consultant in 2016 to assist in revising and formalizing policies and procedures. In December 2017, LAHSA revised and adopted the Request for Proposals (RFP) and Request for Information (RFI) policies. In February 2018, the RFSQ policies were adopted. In addition, LAHSA is revising the Procurement Policy and will create an instructional procedures guide for staff.

Recommendation: Update its written policies and procedures regularly to reflect changes in its processes.
Concur. LAHSA agrees regularly updating policies and procedures is essential. In 2017, LAHSA began separating Board-approved policies from procedures. Prior to this, we recognized that intertwining Board-approved policies with procedures created additional barriers to change processes. LAHSA will work with our Policies and Procedures consultant to develop mechanisms ensuring procedures are reviewed and updated on a regular basis.

To ensure that its funding recommendations are effective, consistent, and transparent, by July 2018 the Authority should:
Recommendation: Develop and implement processes to ensure that staff complete evaluation tools as intended.

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Concur. The revised RFSQ process, adopted February 2018, includes additional supervisor oversight, to ensure staff are consistently completing evaluation tools. LAHSA is currently creating a handbook to accompany these formalized policies and procedures. LAHSA has been working to incorporate clear and detailed instructions for completion of its RFP evaluation tools to ensure consistent data completeness and integrity on the part of all evaluators. In addition, LAHSA will continue to review processes to ensure data accuracy. As LAHSA creates system automation, we will create additional data accuracy mechanisms.

Recommendation: Develop and implement a process to document supervisory review of its application evaluation process and meetings in which it makes funding discussions.
Concur. As stated above, LAHSA has revised the RFSQ process which enhances the supervisory review process. As LAHSA revises our procurement policies and procedures, LAHSA will ensure appropriate documentation standards, such as meeting minutes which are reviewed and approved by department directors, are incorporated.

Recommendation: Formalize these changes in its written policies and procedures.
Concur. LAHSA acknowledges that in the past, changes to policies and procedures were not formalized. As previously stated, in December 2017, LAHSA revised and adopted Request for Proposals (RFP) and Request for Information (RFI) policies. In February 2018, the Request for Funding Statement of Qualifications (RFSQ) policies were adopted. In addition, LAHSA is in the process of revising the Procurement Policy and will create an instructional procedures guide for staff.

To expand the number of service providers through targeted technical assistance effectively, the Authority should:
Recommendation: Evaluate the use of a document management system to document the application evaluation process and implement the appropriate system by December 2018.
Concur. With the assistance of ABT Associates, LAHSA created a workgroup to develop a grant management system. This workgroup will review the capacity of existing systems, such as Contract Logix, to inform this recommendation. LAHSA will ensure the application evaluation tracking and reporting is incorporated into LAHSA data management systems.

Recommendation: Evaluate the effectiveness of the selected system within 12 months after implementation.
Concur. LAHSA agrees with this recommendation and will evaluate our data systems within a year of implementation.

Recommendation: Develop and implement a process to track aggregate application evaluation data, including the common reasons for failing, among other information by December 2018.
Concur. While LAHSA currently collects evaluation data on an individual level, LAHSA agrees that readily accessible aggregate data would provide additional information which may increase capacity building and technical assistance to service providers. LAHSA is committed to increasing the application pool for homeless funds and believes this recommendation is essential. LAHSA will ensure this recommendation is incorporated into the data systems currently under development.

Recommendation: Track service areas in its database management system or other mechanism to identify accurately the results of its application evaluation process, amounts awarded, amounts funded and amounts disbursed by service area by July 2018.
Concur. LAHSA acknowledges that tracking mechanisms in place during the State Audit were not robust enough to meet the current need and reporting expectations. Through the implementation of Contract

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Logix, a document management system, LAHSA has collected and imported these data elements for active contracts into the Contract Logix system.

Recommendation: Track HUD awards, include renewals projects, by service area by July 2018.
Concur. LAHSA agrees with the recommendation. As previously mentioned, Contract Logix will hold these data elements. All active contracts were imported into Contract Logix by March 21, 2018. These records are currently being reviewed for accuracy and will be fully migrated by mid-April 2018.

Recommendation: Track the reasons that providers that attend the mandatory bidders' conference do not apply for funding and address any barriers by July 2018.
Concur. LAHSA agrees with the recommendation and will create a mechanism to survey or poll applicants that do not apply for funding to identify and address these barriers through our procurement process or technical assistance process.

Recommendation: Continue its efforts to develop and implement technical assistance programs for service providers, and track and analyze the results of that assistance by April 2019.
Concur. LAHSA agrees and will continue to implement technical assistance programs to service providers. In preparation for the 2018 re-release of LAHSA's RFSQ solicitation, staff is currently performing an analysis of all aspects of the application and evaluation process to ensure that documentation requirements are clearly stated and easy to understand through the provision of examples. Various responses to our RFSQ survey indicated the need for such clarifications. Additionally, the webinar in development will underscore the importance of consistency and continuity between agency documentation and agency narrative responses provided by RFSQ applicants. LAHSA will track these programs in our data systems to allow for robust performance based analysis.

Conclusion

We appreciate the opportunity to address the recommendations in the final State Audit report. Thank you again for your effort and assistance in helping Los Angeles Homeless Services Authority improve upon its existing practices. As noted in our response, LAHSA has begun improving processes and implementing data system. We look forward to incorporating the State Auditor's recommendations into our current improvements, allowing LAHSA the ability to enhance and analyze LAHSA's sound funding evaluations processes.

If you or your staff have any questions or require additional information, please contact Darcie Mulholland, Monitoring and Compliance Associate Director at (213) 225-8449 or by email at dmulholland@lahsa.org.

Sincerely,

Peter Lynn
Executive Director

Cc: Karla Barrow   Terry Matsumoto
Kristina Dixon   Chris Callandrillo
Sarah Mahin   Darcie Mulholland
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