

THE SAME WARNING TWICE

What two County Auditor-Controller reviews of LAHSA show about paying Los Angeles homelessness providers, and what any administrator must fix

Publication Edition | Evidence-attributed analysis

WHAT THIS PAPER ADDS

Two County Auditor-Controller reviews of the Los Angeles Homeless Services Authority (LAHSA), issued 18 months apart, were reported and judged separately. This paper lines them up. It tracks each of the 16 numbered issues in the November 2024 review (Report C24004) against the May 2026 review (Report B26003) and LAHSA's own responses. Five of the 2024 issues reappear in 2026 in direct form (cash-advance controls, cross-funder cash use, late payments to providers, late contract execution, and late invoice and claim cycles), four more persist in a related form, and seven were not re-tested. The paper also sets the County's payment-timing samples beside the only published invoice-level timing for City-funded contracts that BeaconStone located (the court-ordered Alvarez & Marsal assessment, fiscal year 2023-24), adds the City-side contract mechanics documented by the Chief Legislative Analyst in April 2026, sets out the five-year execution record of one County-funded contract from documents LAHSA produced to BeaconStone in October 2026, sets the reviews beside an August 2026 KPMG process review whose findings LAHSA management said were accurate, and identifies which "implemented" claims have no independent verification on the public record.

The existing public record does not already provide this because each report was issued to a different body for a different question, and none tracks whether findings from the earlier report were closed or verified.

EXECUTIVE SUMMARY

Los Angeles was warned twice, by the same County auditor, about the same weaknesses in how public money reaches homelessness providers through LAHSA. Comparing the two reviews issue by issue, BeaconStone found that five of the 16 issues identified in November 2024 recur in the May 2026 review, four more persist in a related form, and seven were not re-tested. BeaconStone did not locate a published follow-up confirming that any of the 16 was independently closed before the second review

arrived.

In November 2024 the County Auditor-Controller reported that LAHSA paid some providers late, used one funder's money for another funder's programs, did not recoup cash advances, could not produce an accurate contract list, and executed contracts after service had begun. In May 2026 the Auditor-Controller again found late payments and advances, overdrawn funding sources, late invoices and incomplete reconciliations, and added that LAHSA could not provide the records needed for a full-scope review.

A third review corroborates the pattern. In August 2026 a KPMG process review presented to the LAHSA Commission, an advisory engagement rather than an audit, described the same pattern from inside LAHSA's finance operations: provider contracts for 2025-26 executed five to six months late, an invoice backlog of about six months, and accounting and grants systems that are not integrated. LAHSA management said its staff could attest to the accuracy of those findings.

What was tested: a finding-by-finding comparison of the two reviews; the only published invoice-level payment timing for City-funded contracts that BeaconStone located (Alvarez & Marsal, covering fiscal year 2023-24); and the City-side contract mechanics reported by the Chief Legislative Analyst in April 2026. What could be measured: recurrence of specific findings and the timing samples the auditors published. What could not be measured: payment performance under County Department of Homeless Services and Housing (HSH) direct contracting, which began in fiscal year 2026-27; provider-level payment data for fiscal year 2025-26; and whether any 2024 recommendation was independently verified closed.

LAHSA disputes parts of both reviews. It agreed with all seven 2026 recommendations and reports three as implemented, but it explains the 2026 negative cash balances as timing and a coding error, disputes the auditors' reading of its financial-statement obligations, and attributes delays to late contract execution and to the City and County. The City attributes delay to LAHSA's contract processing; the City's own analyst documents City-side amendment and reconciliation steps that can take months. This paper does not assign sole cause.

The principal implication is that payment delay, cash-control and records weaknesses sit in the pathway between funders and providers and have appeared in County-funded and City-funded money alike. The same minimum controls should therefore bind any administrator: a published payment-timing standard with public results; cash tracking by funder; reconciliation deadlines with escalation; contract execution before billing; risk-based verification of service delivery; and an independent closure check for every audit recommendation. This paper does not say who should

administer City funds.

STANDING SCOPE

This series examines spending accountability, oversight, verification and institutional design. Upstream drivers of homelessness, such as housing production, behavioral health capacity and zoning, are outside its scope. The oversight question matters to people because providers that are paid late can struggle to staff and sustain services, and because verification gaps mean the public cannot tell whether paid-for services were delivered. Those are risks the auditors describe; this paper does not measure effects on outcomes. BeaconStone's editorial standards on evidence, fairness and corrections are stated on its Editorial Standards & Corrections page.

1. THE QUESTION AND WHAT IT IS NOT

For homelessness services funded by the City and the County, where have auditors documented delay and control failure in the payment chain, what was recommended, and what is publicly verifiable about whether it was fixed? This paper does not ask who should administer Los Angeles's homelessness system, and it does not compare LAHSA, direct City administration and County HSH.

2. THE PAYMENT CHAIN IN BRIEF

LAHSA is a joint powers authority created by the City and County in 1993. It receives County, City, State and federal money and pays service providers under contracts. For fiscal year 2025-26 LAHSA reported a budget of about \$829 million, of which the County supplied about \$379 million (46%) and the City about \$290 million (35%) (B26003, Attachment I, p. 1). Providers deliver services, submit monthly invoices (due by the 15th of the following month), and are paid either by advance or by reimbursement. LAHSA in turn requests funds from the City or County by advance request or "cash request." Delay can arise at each step: contract execution, invoice submission, review, the funder's payment to LAHSA, and LAHSA's payment to the provider. From fiscal year 2026-27 the County expects to contract directly with providers while administering limited funds through LAHSA (B26003, Attachment I, p. 1).

3. WHAT THE 2024 REVIEW FOUND (REPORT C24004)

On November 19, 2024 the County Auditor-Controller issued Report C24004 on LAHSA's finance, contracts, risk management and grants management, in response to a Board request of February 27, 2024. It set out 16 numbered issues, each with one or more recommendations. Ten issues carry a

Priority 1 ranking, three Priority 2 and three Priority 3. LAHSA agreed with five, disagreed with four and partly disagreed with seven. The Auditor-Controller noted that LAHSA did not communicate any of these disagreements during the review (cover memorandum, p. 2). Principal findings, all attributed to the Auditor-Controller:

- **Late payments.** Of 13 sampled payments to subrecipients between July 2023 and May 2024, five (38%) were late. Two Measure H payments were made 53 and 68 business days after invoice receipt; two State-program payments 42 and 50 business days after invoice; and one payment 55 business days after LAHSA received City reimbursement, against LAHSA's stated internal metric of 15 business days. LAHSA attributed the delays to cash-flow issues (Issue 6, pp. 7-8). LAHSA agreed with the finding and gave an implementation date of July 1, 2024.
- **Cross-funder payments.** LAHSA paid two sampled subrecipients 14 and 16 days before it received reimbursement, using funds from other government funders (\$31,770 and \$126,168). The Auditor-Controller called this inappropriate use of funds (Issue 5, p. 6). LAHSA disagreed but said it had implemented the recommendations by July 1, 2024; the Auditor-Controller said it could not verify implementation.
- **Advances.** LAHSA awarded \$50.8 million in multi-year working-capital advances to subrecipients without formal repayment agreements; about \$2.5 million (5%) had been recovered by July 8, 2024. About \$15 million in annual cash advances was outstanding, about \$8 million of it carried over from fiscal years 2016-17 to 2022-23 (Issues 1 to 2, pp. 2-4).
- **Contracts.** LAHSA could not produce an accurate list of its contracts (five listings ranging from 676 to 1,078, against 1,273 it reported as active). Seven of eight sampled contracts were executed 23 to 170 days after their start date, an average of 73 days (Issues 3 and 8, pp. 4 and 9-10).
- **Invoices and claims.** Twelve of 20 sampled provider invoices (60%) were not submitted by the 15th; one claim to the County was submitted 214 days after the billing month against a 30-day requirement (Issue 11, pp. 13-14).
- **Monitoring.** 54 of 105 planned monitoring reviews (51%) had no procedures to check whether services were delivered; ten sampled reviews had no evidence of supervisory review (Issues 9 and 10).

LAHSA disputed several findings. For example, it said the operating agreement did not require it to recoup annual advances by the dates the auditors used, and that it had a risk-assessment process. The Auditor-Controller responded in the report to each disagreement. LAHSA leaders also told LAist in November 2024 that the agency paid about 80% of contracts on time over the previous two years;

BeaconStone has not located the primary record for that figure.

4. WHAT THE 2026 REVIEW FOUND (REPORT B26003), AND LAHSA'S RESPONSE

On February 25, 2026 the County Chief Executive Office told LAHSA it would review its financial and operational processes after delays in invoice processing, payments to County-funded providers, and missed draw-downs for advance payments at the end of January 2026. The Board of Supervisors directed a plan on March 3, 2026. The Auditor-Controller issued Report B26003 on May 21, 2026, with seven recommendations, all Priority 1. It reviewed records from July 1, 2025 forward and stated that LAHSA "was unable to provide complete financial statements and accounting records, including a balance sheet, which prevented us from conducting a full-scope review" (cover memorandum, p. 1). Principal findings, attributed to the Auditor-Controller:

- **Payables.** As of March 4, 2026 LAHSA reported about \$75.6 million owed to providers across funding sources, of which about \$51.2 million (68%) was more than 30 days past due; about \$34.6 million (46%) was owed to County-funded providers (Attachment I, p. 4).
- **Advances.** Quarterly advance requests to the County averaged more than 30 days past the required deadline in the second and third quarters; monthly advances to County-funded providers averaged more than 25 days late between July 1, 2025 and February 28, 2026 (Attachment I, pp. 5-6).
- **Invoices.** 83% of County-funded provider invoices were submitted late. LAHSA said providers could not invoice until their contracts were executed and entered in its billing system, which was not completed until late 2025. The Auditor-Controller replied that LAHSA is responsible for timely contract execution (Attachment I, p. 6).
- **Reconciliations.** LAHSA had not completed required quarterly reconciliations for the first two quarters, and did not provide a provider-level accounting of purported excess advances, so overpayments could not be confirmed (Attachment I, pp. 6-7).
- **Cash and records.** LAHSA uses one operating bank account for all funders. Two funding sources were overdrawn by about \$7.84 million on February 28, 2026, which the auditors said indicated that cash from other funders was used "at least temporarily" for another funder's obligations. About \$145.1 million in County advances had not been recorded as revenue eight months into the fiscal year, and duplicate entries overstated cash by about \$47.2 million (Attachment I, pp. 3-4).
- **City receivable.** LAHSA reported \$96.5 million receivable from the City. The Housing Department validated only a portion and said it was still working with LAHSA and providers to

determine the amount; the County validated its \$27.8 million (Attachment I, p. 3). LAHSA's written response of May 13, 2026 agreed with all seven recommendations. It reports Recommendations 1, 3 and 4 as implemented, 2 and 7 as ongoing, and 5 and 6 as targeted for June 30, 2026. It states that neither accounting standards nor its funding agreements require "perpetual" financial statements; that the 2026 negative balances reflected timing and recording issues, including a known timing difference where the County agreed to provide cash flow while awaiting State reimbursement and a federal coding error since corrected; that oldest-first payment is constrained where funds must reach LAHSA before it can pay; and that a Quarter 4 Measure A advance request was submitted on time on February 12, 2026, with County follow-up questions received on March 2 and resolved on March 18. It also states that it had become current on County-funded disbursements, and that a concurrent single audit burdened its finance staff. The Auditor-Controller's cover memorandum says the information LAHSA provided "was insufficient to fully assess" its financial condition or confirm overpayments.

A consultant's process review, August 2026. On August 28, 2026 KPMG presented to the LAHSA Commission a process review of LAHSA's finance and provider-payment operations (report dated August 10, 2026). KPMG states that the engagement was advisory, under AICPA consulting standards, and is not an audit and expresses no assurance (LAHSA Process Review, p. 2). It reported that many provider contracts for fiscal year 2025-26 were not executed until five to six months into the contract period, creating an invoice backlog of about six months; that late provider invoices sometimes left LAHSA about ten days to process them before funder deadlines, which with monthly cash-request deadlines can delay provider payments by a further 30 to 60 days; that more than \$125,000 in payables for one provider became non-releasable after the invoices aged beyond the County's fiscal year-end; that core finance processes depend on a few "keystone" staff; that more than \$500,000 in Measure H expenses for one provider should have been netted against prepayments rather than paid in cash, after which LAHSA drew on a line of credit; and that LAHSA's grants-management (EGMS) and accounting (MIP) systems are not integrated, so LAHSA cannot readily track payments to individual vendors or tell which invoices have been included in funder cash requests without manual research (pp. 3-6). KPMG described the core problem as process breakdowns that make it difficult to distinguish between issues caused by LAHSA and those caused by external funders (p. 3). In its written response LAHSA management stated that its staff "can attest to the accuracy of these findings and the appropriateness of the recommendations" (p. 9).

5. THE SAME WARNING TWICE: THE RECURRENCE LEDGER

The table sets each 2024 issue beside the closest 2026 finding. "Rekurs" means the 2026 review reports a finding of the same kind. "Related" means the same subject persists in a different form. "Not re-tested" means B26003 did not examine it; the 2026 review had a narrower scope, so this does not mean the issue was resolved. Samples and periods differ and rates are not compared across reports.

2024 issue (C24004)	LAHSA's 2024 response and date	2026 finding (B26003)	Assessment
1. Working-capital advances (\$50.8M) without repayment agreements	Disagree	No provider-level accounting of advances or recoupment provided	Related
2. Annual cash advances not recouped (~\$15M outstanding)	Partly disagree; June 30, 2026 for two parts	Quarterly reconciliations incomplete for Q1 and Q2	Related
3. Inadequate contract data	Agree; Feb 28, 2025	Contracts not entered in billing system until late 2025; records not provided	Related
4. Inadequate controls over cash advances	Partly disagree; Nov 1, 2024 (partial)	Single operating account for all funders; reconciliations incomplete	Rekurs
5. Inappropriate use of funds across funders	Disagree; said implemented July 1, 2024	Two sources overdrawn by about \$7.84M; other funders' cash used at least temporarily	Rekurs
6. Late payments to subrecipients	Agree; July 1, 2024	Advances 25+ days late; 68% of \$75.6M payables 30+ days past due	Rekurs
7. Record-keeping on advances	Agree; Mar 31, 2025	Unable to document advances; duplicate entries overstated cash by ~\$47.2M	Related
8. Retroactive contracts	Disagree	Provider invoicing blocked until contracts executed in late 2025	Rekurs
9. Inadequate contract monitoring plan	Disagree; said a, c, d implemented Oct 31, 2024	Not examined	Not re-tested
10. No contract monitoring	Agree; Feb 28, 2025	Not examined	Not re-tested

2024 issue (C24004)	LAHSA's 2024 response and date	2026 finding (B26003)	Assessment
standards			
11. Late reimbursement claims and invoices	Agree; Feb 28, 2025	Advance requests 30+ days late; 83% of invoices late	Recurrs
12. Internal audits not completed	Partly disagree; Oct 25, 2024	Not examined	Not re-tested
13. No annual internal-audit risk assessment	Partly disagree; Oct 25, 2024	Not examined	Not re-tested
14. Internal audit independence	Partly disagree; Oct 25, 2024	Not examined	Not re-tested
15. No quality assurance program	Partly disagree; June 30, 2025	Not examined	Not re-tested
16. No key performance indicators	Partly disagree; June 30, 2025	Not examined	Not re-tested

Source: County Auditor-Controller Reports C24004 (November 19, 2024) and B26003 (May 21, 2026), including LAHSA's responses in each. The "assessment" column is BeaconStone's coding. Issue 8 is coded "recurs" on the Auditor-Controller's 2026 conclusion that contract-execution delays "demonstrate weaknesses in their contract management and invoice oversight processes" (B26003, Attachment I, p. 6); unlike 2024, the 2026 review did not publish a measured sample of execution delays. KPMG's August 2026 process review, which is not an Auditor-Controller review and is not used in this coding, separately reported that many provider contracts for fiscal year 2025-26 were executed five to six months into the contract period (section 4).

Five issues recur, four are related, and seven were not re-tested. For none of the 16 did BeaconStone locate a published Auditor-Controller follow-up confirming closure; that is a statement about the public record, not proof that no follow-up occurred. LAHSA's stated implementation dates for several recurring findings (July 1, 2024 for late payments and cross-funder use; February 28, 2025 for late invoices and claims) fall before the period the 2026 review examined. That shows implementation was reported, not that it worked; the record does not say whether the 2026 conditions reflect a failure of the earlier fix, a new cause, or a change in the funding model, which in 2024 and 2025 moved to quarterly advances.

One contract's execution record, 2021 to 2025. In response to a separate BeaconStone public records request (Ref. 2627CS-C), LAHSA produced on October 15, 2026 the base agreement and nine amendments for one County-funded youth bridge-housing contract (EGMS AD-BH-BH-035; allocation

2021BHY03), covering fiscal years 2021-22 through 2025-26. Each fiscal year's term began July 1. LAHSA executed the 2021-22 agreement on November 9, 2021, 131 days into its term, and added its budget exhibit on November 15; the 2022-23 renewal 63 days into its term; the 2023-24 and 2024-25 renewals 5 and 10 days in; and the 2025-26 renewal on August 13, 2025, 43 days in. Two amendments changed a year's budget after that year had ended: a no-cost budget re-direction for 2021-22, executed July 25, 2022, and a mid-year bed-rate increase of \$81,900 for 2023-24, executed July 8, 2024. Five of the nine amendments were mid-year budget, funding-source or rate changes rather than annual renewals, and each required a full contract amendment. Two recitals in later amendments do not match the signature records: Amendment 8 gives Amendment 6's execution date as July 6, 2023, while Amendment 6's signature page shows December 27, 2023, and Amendment 9 refers to the original agreement by a different agreement number. One contract is not a sample, and these dates reflect LAHSA's contracting steps, not the provider's performance; the documents do not show when the provider invoiced or was paid. They are consistent with the execution delays the Auditor-Controller and A&M reported (C24004 Issue 8; A&M p. 5) and with the amendment burden the City's analyst describes (CLA pp. 3-4), but a single contract cannot show how common such delays are or what caused them. They also show the lag shortening in 2023-24 and 2024-25 and lengthening again in 2025-26. In 2025-26, the year KPMG found many contracts executed five to six months late, this contract's renewal was executed 43 days in, so one contract does not show the range.

6. WHAT THE CITY-FUNDED RECORD SHOWS

Payment timing. The court-ordered Alvarez & Marsal assessment of City-funded homelessness programs (U.S. District Court, Central District of California, Dkt. 905, filed May 14, 2025) is the only published source BeaconStone found with invoice-level timing. For fiscal year 2023-24 it sampled City-funded service provider contracts and compared LAHSA's payments with the contract standard of 30 business days after an invoice submitted by the 15th (45 days if submitted late) (Figure 3.24, p. 97):

City program	Contracts sampled	Median business days to payment	Always met standard	Sometimes met
Roadmap	9	41	0	9
Roadmap - Project Homekey	2	23	0	2
Alliance	1	24	0	1
Inside Safe	3	37	1	2

Source: Alvarez & Marsal, Dkt. 905, Figure 3.24 (p. 97). Samples are of contracts selected by A&M for fiscal year 2023-24, not a count of all payments.

A&M stated that LAHSA "only occasionally met contractual requirements for payments to service providers" and that Roadmap providers experienced the longest delay, followed by Inside Safe (p. 98). It also timed the City's payments to LAHSA on cash requests: all Alliance requests within 15 days; Roadmap requests of 26, 21, 13 and 32 days, and one \$32.7 million payment 7 days after submission; and two early Inside Safe requests that took 216 and 172 days (pp. 94-97). A&M attributed part of the Inside Safe lag to the City's departure from its usual review process. It also reported that sampled provider contracts took an average of 82 days from term start to execution, and that every sampled contract was fully executed after its term began (p. 5).

How this compares with the County sample. In the same fiscal year, the County's sample of late LAHSA payments ran 42 to 68 business days (C24004, Issue 6). The samples were drawn differently and measure different points, so BeaconStone does not rank City against County. What the record supports is narrower: in fiscal year 2023-24, payments passing through LAHSA were frequently late under both County-funded and City-funded contracts, and BeaconStone found no published invoice-level evidence that County-funded money moved faster through LAHSA.

City-side mechanics. The Chief Legislative Analyst's report of April 8, 2026 (C.F. 23-1348 and 25-0600) states that no memorandum of understanding exists between the City and LAHSA; that the City manages eight contracts while LAHSA manages 182 provider contracts on the City's behalf in fiscal year 2025-26; that changes to funding under one program can require amending an entire City contract; that "City-LAHSA contract amendments can delay the invoicing process for service providers" because some invoicing "cannot occur until both sets of contract revisions are in place and executed," a process that "can take months to complete"; that a discrepancy in one component of a LAHSA cash request can delay payment for all programs under that funding agreement; and that the City and LAHSA do not use the same information systems, so staff track payment information in spreadsheets (pp. 2-5). The report recommends a memorandum of understanding, service-based program agreements and an administrative amendment and work-order process (p. 2). As of October 8, 2026 BeaconStone found no Council action adopting these recommendations.

Competing accounts. LAHSA has told the press (LAist and others, March 2026) that City funding timing and contract delays contributed to provider payment delays. The City's account, as reported by LAist in March 2026, is that it signed its eight LAHSA contracts in September 2025, that LAHSA did not finalize 160 subcontracts until February 2026, and that it advanced more than \$138 million to LAHSA, more than LAHSA had billed. The documents BeaconStone reviewed do not resolve the dispute. The 2024

County review found delays attributable both to funders and to LAHSA's own contracting steps (Issue 8). KPMG's August 2026 review reached a similar view, describing process breakdowns that make it difficult to distinguish issues caused by LAHSA from those caused by external funders (LAHSA Process Review, p. 3). In its response to KPMG, LAHSA stated that the City's review of fiscal year 2026-27 City-LAHSA funding agreements had not concluded and that several were not yet executed (p. 9). The draft minutes of the Commission's July 24, 2026 meeting record a City Administrative Office report on the progress of City-funded contract execution for 2026-27 and discussion of provider billing in light of the delayed funding (item 7.0).

7. SPEED AND VERIFICATION ARE DIFFERENT PROBLEMS

Paying quickly and confirming that services were delivered are separate controls, and a system can fail at either. A&M reported that during its review period LAHSA "did not contemporaneously verify that the service provider invoices reflected actual services provided at the given location before approving payment," approving invoices instead on "a high-level review of supporting financial documents" (p. 5). It also quotes a June 2024 Housing Department email deciding to process an Inside Safe cash request "without detailed review of the subcontractor invoices," noting that the subcontractor review "takes weeks" and that to pay before fiscal year-end "we need to proceed with this approach now" (p. 97). That email shows an administrator weighing speed against review in real time. It does not show any impropriety, and delay is not evidence of fraud. Equally, faster payment is not evidence of stronger controls. The County's 2024 review made the related point that LAHSA's monitoring plan did not check programmatic delivery for 51% of planned reviews.

8. WHAT HAS BEEN DONE, AND WHAT CAN BE VERIFIED

Reported actions, by source and verification status:

- **County, June 1, 2026 (Chief Executive Officer's report back).** The memorandum says the Auditor-Controller's review "has found meaningful gaps in reporting and monitoring that raise concerns about the risk of undetected errors and financial mismanagement, as well as noncompliance with LAHSA's Operational Agreement and potential noncompliance with applicable law," that a lack of timely reconciliations "may have resulted in overpayments to some providers," and that funds from one jurisdiction "may have been used at least once to temporarily cover another." These are the County's characterizations of the review, quoted here as such. The memorandum says HSH would embed fiscal staff at LAHSA, with the work "contingent upon LAHSA leadership agreeing to allow embedded County personnel," and that

the County "prepares to withdraw homeless funding from LAHSA at the end of the 2025-26 fiscal year." BeaconStone found no published confirmation that embedding occurred.

- **Board of Supervisors, April 14, 2026.** The Board received and filed the report on LAHSA's corrective action plan by a 5-0 vote (Statement of Proceedings, Item 20). The record contains no payment figures.
- **LAHSA, May 13, 2026.** The response reports reorganization of accounts payable, receivable and treasury functions, "floater" positions, weekly meetings with HSH, and monthly advance and expenditure reports. These are LAHSA's statements; the Auditor-Controller reported it could not verify several of the underlying records.
- **LAHSA, active contract and system management.** The Chief Legislative Analyst reports that LAHSA began this monitoring in October 2024 and states it is "anticipated" to address the A&M monitoring finding. That is LAHSA's account and the analyst's expectation, not a verified result.
- **City.** The 2025-26 budget instructed creation of a Bureau of Homelessness Oversight; a December 2024 Council instruction asked that subcontractor invoices accompany cash requests (C.F. 23-1348, item 15). BeaconStone did not verify implementation of either. A Council committee recommendation of April 15, 2026 for an independent accounting firm and monthly public invoice reporting is described in section 10.
- **LAHSA, August 2026 (response to KPMG).** LAHSA reports that it implemented a backlog-reduction plan for payables, receivables and Measure H working-capital balances, that its final 2025-26 reimbursement claims were submitted on time or were on track, that it is recouping prior-year provider advances, and that the City will implement a new advance model in 2026-27 (LAHSA Process Review, p. 9). These are LAHSA's statements; KPMG's engagement expresses no assurance, and BeaconStone found no independent confirmation.
- **LAHSA Audit Committee, October 2025.** An Audit Committee Charter adopted by the Audit Committee on October 15, 2025, and placed on the Commission's October 24, 2025 consent calendar, makes the committee responsible for approving a risk-based internal audit plan, monitoring the implementation of management's corrective action plans, protecting the internal audit function's independence (the Chief Audit Executive reports functionally to the committee) and overseeing a quality assurance and improvement program. These provisions address the subjects of 2024 Issues 13, 14 and 15. The packet copy is marked draft, BeaconStone has not confirmed Commission adoption, and a charter establishes a structure; it does not show that internal audits or corrective-action monitoring took place. The Commission's draft minutes of July 24, 2026 report that a special Audit Committee meeting on July 20, 2026 discussed practical logistics for doing internal audits (item 13.0).

- **Independent follow-up.** BeaconStone did not locate a published Auditor-Controller follow-up on C24004 or B26003, or published payment-timing data for FY2025-26. Absence from the public record does not establish that no follow-up took place.

9. THE ACCOUNTABILITY ARCHITECTURE: MINIMUM CONTROLS FOR ANY ADMINISTRATOR

Each control below is tied to a documented failure. None depends on who administers the funds.

1. **A published payment-timing standard with published results.** Report, by funder and program and at least quarterly, the median and 90th-percentile days from complete invoice to payment, and the amount and age of unpaid invoices. Basis: the Auditor-Controller and A&M each had to build timing samples by hand; the City and County reported no public series; LAHSA's own 15-business-day metric was missed in the 2024 sample.
2. **Cash tracked and reported by funder.** Maintain and publish funder-level cash positions. Prohibit using one funder's cash for another funder's obligations unless the funder whose money is used authorizes it in writing in advance, where legally permissible; account for any such use separately; and record it in an auditable exception log reported to both funders. Basis: C24004 Issue 5; B26003 cash management finding; A&M p. 98; KPMG p. 6 (funder-specific cash rules and netting errors).
3. **Reconciliation and recoupment deadlines with escalation.** Set written deadlines for quarterly reconciliations and advance recoupment, and escalate misses to the funder and the governing body. Basis: C24004 Issues 1, 2 and 4; B26003 reconciliation finding.
4. **Contract execution before billing, with published execution dates.** Track and publish contract start and execution dates and amendment turnaround, and give providers a way to invoice while amendments are pending. Basis: C24004 Issues 3 and 8; A&M p. 5 (82-day average); CLA pp. 3-4; the 2021-2025 execution record of contract AD-BH-BH-035 (section 5); KPMG, LAHSA Process Review, pp. 3 and 5.
5. **Risk-based verification of service delivery.** Pair prompt payment with sampled, documented checks that invoiced services were provided, scaled to provider size and risk. Basis: A&M pp. 5 and 99; C24004 Issue 9.
6. **An independent closure check for every audit recommendation.** Assign each recommendation an owner, a date, evidence of completion and independent verification, and publish its status. Basis: the recurrence ledger in section 5; BeaconStone's inability to locate any published follow-up on the 16 issues and their recommendations.

7. **A shared, funder-neutral invoice and contract record.** Replace parallel spreadsheets with one record visible to the funder, the administrator and the provider. Basis: CLA p. 5; A&M p. 5; KPMG p. 6 (EGMS and MIP not integrated).

These controls add reporting work. They should be designed to replace, not stack on, duplicative review steps, and applied in proportion to provider size and risk, because the record shows providers already submitting invoices late.

10. STRONGEST OBJECTIONS AND ALTERNATIVES

Objections BeaconStone must answer on the evidence.

- **"Recurrence reflects the system, not LAHSA."** Funders fund late, change contracts mid-year and require multi-step reconciliation, and LAHSA says City non-payment and late contracts drive delay. Answer: this paper does not assign sole cause. The County found both funder-side and LAHSA-side contract delays in 2024; the City's own analyst documents City-side amendment and reconciliation steps; A&M documents both. The controls in section 9 apply at every layer.
- **"The audit samples are small."** C24004 tested 13 payments and 8 contracts; the A&M sample covers 15 contracts. Answer: sample sizes are stated, rates are not extrapolated, and LAHSA's 80% on-time statement is reported with its source status.
- **"Fast payment weakens control."** The advance model meant to relieve provider cash flow produced \$50.8 million in unsecured working-capital advances and incomplete reconciliations. Answer: the paper concedes the trade-off and pairs speed with reconciliation and recoupment deadlines.
- **"Moving to County HSH will fix it."** The Auditor-Controller says many underlying issues "may persist with the transfer of service provider contracts." Answer: HSH direct contracting is untested and is not evaluated here.
- **"Late payment is not fraud."** Answer: agreed. This paper infers no misconduct from delay and makes no allegation against any provider, person or agency.

Alternative models.

- **City direct contracting with providers**, which Council asked its analyst to examine, according to press reports, as an alternative to contracting through LAHSA. The CLA instead recommends a memorandum of understanding and program agreements with LAHSA, and notes the memorandum "could serve as a basis for engaging with any coordinating partner." Its relative merit is not tested by the record.

- **County HSH direct contracting with embedded fiscal staff** (CEO memorandum, June 1, 2026). Embedding was contingent on LAHSA's agreement; results are unknown.
- **An independent financial manager** to review and approve provider invoices and LAHSA cash requests, recommended by A&M (p. 7). On April 15, 2026 the City Council's Housing and Homelessness Committee approved a recommendation that City-LAHSA contracts for fiscal year 2026-27 require LAHSA to contract with a qualified, independent accounting firm to manage the distribution, reconciliation and tracking of City funding, together with execution of sub-agreements within 30 days and monthly public reporting on invoices, contracts and amendments (C.F. 24-0536-S1). BeaconStone did not confirm whether the full Council adopted it. KPMG's August 2026 review separately recommended that LAHSA explore a "Finance-as-a-Service" model for its finance function (p. 8), and the Commission's draft minutes of July 24, 2026 record a Commissioner's request for an explanation of the process for releasing an RFQ for independent management of LAHSA's finance function (item 16.0).
- **A Controller-based inspector general**, the model discussed in Policy Paper No. 1 (beaconstonefoundation.org/policy/los-angeles-homelessness-inspector-general/) and in BeaconStone's published San Francisco research (beaconstonefoundation.org/news#sf-model), which addresses independent investigation and follow-through rather than payment processing and is complementary to the controls above.

The existing oversight baseline. The record already includes County Auditor-Controller reviews (C24004 and B26003); LAHSA's FY2025 single audit, which reported a significant deficiency in timely financial close that also covered a required federal disclosure about a terminated subrecipient made months late (finding 2025-001), and a payroll-approval deficiency (2025-002); a 2022 HUD Office of Inspector General audit of LAHSA's Continuum of Care program (2022-LA-1001), which reported unspent grant funds and unsupported costs; the court-ordered A&M assessment; the August 2026 KPMG process review; the City's planned Bureau of Homelessness Oversight; and the Board's embedding plan. This paper does not claim a mechanism is absent because a public report is missing; it identifies where the published record shows no independent confirmation that findings were closed.

The strongest case against BeaconStone's position. BeaconStone's position is that the same minimum controls should apply regardless of administrator. The best case against it is that structure matters more: a single funder, direct contracts and an embedded fiscal team could remove the layers where delay and records gaps arise, and a control standard may only add reporting burden to providers already late on invoices. The record neither proves nor disproves this, because direct County contracting is too new to measure and the City has not yet adopted its own restructuring. If that

evidence develops, a structural comparison would be the logical next paper.

11. WHAT THIS PAPER DOES NOT ESTABLISH

- Which administrator (LAHSA, the City or County HSH) should run City-funded programs, or which pays faster.
- Payment performance under County HSH direct contracting, which began in fiscal year 2026-27, or any provider-level payment data for fiscal year 2025-26.
- Fraud, intent or wrongdoing by any person, provider or agency. Missing records are reported as missing, not as accusations.
- That any listed issue or recommendation is, or is not, closed beyond what is documented.
- The effect of payment timing on service capacity or on outcomes for people experiencing homelessness.

12. METHODOLOGY AND EVIDENCE NOTE

BeaconStone read in full or in the cited sections: County Auditor-Controller Report C24004 (November 19, 2024) and Report B26003 (May 21, 2026), including LAHSA's May 13, 2026 response; the Alvarez & Marsal assessment, Dkt. 905 (filed May 14, 2025); the Chief Legislative Analyst's report of April 8, 2026; the Board of Supervisors Statement of Proceedings of April 14, 2026; the County Chief Executive Officer's report back of June 1, 2026; LAHSA's FY2025 single audit and corrective action plan; and the HUD OIG audit 2022-LA-1001. Copies, with checksums, are held in the Policy Paper 8 Evidence Archive. Figures were taken from the documents, with page references; B26003 pages containing LAHSA's response are scanned images and were read visually. For contract AD-BH-BH-035, BeaconStone read the routing sheet, recitals and LAHSA signature page of the base agreement and each of the nine amendments produced under Ref. 2627CS-C, and counted calendar days from each fiscal year's July 1 term start to the LAHSA execution date on the signature page; those dates match the execution dates recited in later amendments except where section 5 notes otherwise. LAHSA has said further records responsive to that request will follow by October 29, 2026. BeaconStone also read the KPMG process review (report of August 10, 2026, and its August 24, 2026 presentation) and the draft Commission minutes of July 24 and August 5, 2026 in the Commission packet for August 28, 2026; the Audit Committee Charter in the packet for October 24, 2025; and LAHSA's conflict-of-interest contracting policy (approved September 26, 2025) and Code of Ethics, which are not relied on because they do not bear on payment timing. KPMG's report states that it is an advisory engagement, not an audit, and expresses no assurance; its findings are reported as KPMG's and LAHSA management's response as

LAHSA's. Minutes marked draft are cited as draft.

The recurrence table was built by comparing each C24004 issue with the subject matter of B26003 and coding it "recurs," "related" or "not re-tested." B26003 had a narrower scope than C24004. The coding is BeaconStone's judgment, shown in full so readers can disagree with it. Samples and periods differ across reports, so no rate is compared across reports. Claims by LAHSA, the City and the County about actions taken are reported as their statements unless an independent source confirms them. Statements first reported by news outlets are attributed to them. The auditors were unable to complete a full-scope review in 2026 because records were not provided; findings that depend on those records are limited accordingly.

13. RESPONSES FROM THE INSTITUTIONS

On October 8, 2026 BeaconStone sent written requests for comment, with specific quoted findings and questions, to LAHSA, to the County (Chief Executive Office, Department of Homeless Services and Housing and Auditor-Controller contacts) and to the City (Administrative Officer and Housing Department general inboxes, asking that the request be routed to the Chief Legislative Analyst). The stated deadline was October 15, 2026, at 5:00 p.m. Pacific. LAHSA, the County and the City did not respond by the deadline; the City Housing Department's general inbox sent an automatic acknowledgment. Nonresponse is not agreement and is not evidence of anything. Any response received after publication will be added as a dated update.

14. FUNDING AND REVIEW DISCLOSURE

BeaconStone Foundation is funded entirely by its founder and accepts no outside donations, grants, or government funding for this work. This paper was not externally reviewed.

Corrections and responses may be submitted through BeaconStone's Editorial Standards & Corrections page.

15. SOURCES

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Suggested citation: BeaconStone Foundation, Policy Paper No. 8, "The Same Warning Twice," October 2026.

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