

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: April 8, 2026

TO: Honorable Members of the City Council

FROM: Sharon M. Tso 
Chief Legislative Analyst

Council File No.: 23-1348; 25-0600
Assignment No.: 25-07-0568

SUBJECT: Best Practices for City-LAHSA Contract Management

SUMMARY

On December 3, 2024, Council adopted a report of the Chief Legislative Analyst (CLA), dated September 27, 2024, relative to the Scope of Required Services (SRS) for City Interim Housing (C.F. 23-1348). Among the actions adopted by Council, the CLA was instructed to identify and include best practices in contract management and administration to enhance accountability for the Los Angeles Homeless Services Authority (LAHSA) and service providers, relative to the revised SRS for Interim Housing, beginning in Fiscal Year (FY) 2025-26. In addition, pursuant to the City's adopted 2025-26 Budget, Council has instructed our Office and the City Administrative Officer (CAO), with the assistance of the Los Angeles Housing Department (LAHD), to implement a new Bureau of Homelessness Oversight with such key functions as financial accountability, and contract, data and performance monitoring. The recommendations contained in this report are in furtherance of these instructions.

In response, the CLA worked with LAHD and CAO to review LAHSA contract management processes for service providers who implement the revised SRS for City Interim Housing, which are described in Attachment I to this report. Our Office also reviewed the City's contract management processes for City-LAHSA contracts which support Interim Housing. Findings of this review are detailed in the background section of this report and suggest where reforms to the contractual relationship between the City and LAHSA would be beneficial. In particular, we note that a Memorandum of Understanding (MOU) does not currently exist between the City and LAHSA to structure the relationship between both parties.

To make the necessary reforms, our Office identified an MOU as a necessary tool to clearly define the structure and responsibilities of the City and LAHSA. Further, the prospective MOU should be combined with SRS-based program agreements, in addition to certain administrative efficiencies, to address the contractual challenges that currently hinder the implementation of City-funded homelessness programs. The CLA and LAHD held a series of meetings with the City Attorney to develop solutions that meet City requirements related to contracting procedures, in order to ensure that this approach to contracting could work. A draft version of this MOU, which has been reviewed by the parties to these meetings, in addition to key features of the program agreements, are included as Attachment II to this report.

To implement contracting best practices, as well as key functions of the Bureau, we recommend that this solution be applied to all current City contracts with LAHSA, not only Interim Housing. In addition, it should be noted that the recommendation to implement an MOU with LAHSA,

and the related program agreements, is also responsive to the budget instruction to effectuate a Master Services Agreement (C.F. 25-0600). This report recommends a contracting system based upon types of services (for example, relative to Interim Housing), rather than funding sources.

RECOMMENDATIONS

That the City Council:

1. Instruct the City Administrative Officer (CAO) and the Chief Legislative Analyst (CLA), and request the City Attorney and Los Angeles Homeless Services Authority (LAHSA), with the assistance of the Housing Department (LAHD), to effectuate a Memorandum of Understanding (MOU) with LAHSA, as attached to this report.
2. Instruct the LAHD, CLA, and CAO, in coordination with LAHSA and the City Attorney, to develop program-based agreements, based upon Scopes of Required Services (SRSs) with associated Key Performance Indicators, as described in this report.
3. Instruct the LAHD, CLA, and CAO, in coordination with LAHSA and the City Attorney, to implement an administrative amendments process relative to each SRS-based agreement, as described in this report.

BACKGROUND

The City currently supports Interim Housing (IH) through a contract-subcontract system. The City contracts with LAHSA to fund and manage the service providers who operate City-supported IH in the City. The City does not hold direct contracts with service providers for IH and thus does not share with LAHSA the contractual responsibility for their performance.

Rather, the City relies on LAHSA to manage performance by service providers. In this context, our Office first reviewed LAHSA's processes for monitoring contracts with service providers that leverage City funding. Details of this review are included in Attachment I to this report. We then reviewed City management of the eight contracts¹ the City holds with LAHSA, which establish the City's component of the homelessness program implemented by LAHSA on the City's behalf. The City only manages these eight contracts. LAHSA manages 182 service provider contracts in FY 2025-26 on behalf of the City through these contracts.

CITY CONTRACT MANAGEMENT

Our Office coordinated with LAHD, CAO, and City Attorney to review the City's own contract management process, including administration, relative to the City's contracts with LAHSA.

In sum, our review concludes that the current structure of the contracting relationship between the City and LAHSA requires staff to dedicate an inordinate amount of time on drafting, negotiating, and finalizing contracts and amendments, rather than compliance monitoring for

¹City-LAHSA Contracts: Alliance (C-141840); Emergency Solutions Grant (C-145617); General Fund (GF) Base Contract (C-202650); GF Inside Safe Contract (C-140706); Homeless Housing, Assistance, and Prevention Program (C-135650); Mayfair Services (C-145331); Roadmap (C-144656); and Measure A (C-202658).

City-funded programs managed by LAHSA. In addition, City staff must manage a suite of fiscal administration issues, including the reconciliation process, funding advances, and budget modifications that further limits the ability of the City to conduct performance review.

Our review identifies the following basic challenges to City contract management:

- Changes to funding under a single program can initiate an amendment process for the entire City contract in which the program is housed;
- Funding process requires Council approval on dozens of funding instructions, wherein the transfer of de minimis sums of money can also require Council approval;
- Contracts are currently serving as complicated account ledgers;
- Contract amendments may cause delays in payments to service providers;
- The reconciliation process may lead to withholding of payment for programs and add additional requirements for LAHSA/service providers to return program funds;
- Cash advance/alternative payments process has been challenging for City Departments to implement, and can delay LAHSA payment to service providers;
- The City and LAHSA do not use the same information management systems; and
- Organizational structure is unclear and may cause duplication in City efforts to administer contracts.

These contracting and administrative challenges are described in further detail below.

Contracting Challenges

Changes to the scope of work, term, or any other material changes to work being done under a City-LAHSA contract necessitates an amendment to the entire contract in which the program is housed. Further, the same program may be housed in multiple contracts, since the City organizes its contracts with LAHSA based on funding source rather than service type. For example, Interim Housing is funded under at least three different contracts, e.g., State Homeless Housing, Assistance, and Prevention Program (HHAP); Alliance; and General Fund. As a result, it is difficult to determine under the current funding agreements how much City funding is spent on IH; determining funding for individual interim housing sites is less clear. Further, a global program change, such as a change to room rate, would require changes to multiple City contracts.

As well, LAHD and City Attorney staff assigned to assist the department must draft, process, and execute dozens of contract amendments per year when any changes are made to individual programs. A recent example of excessive contract amendments for the current fiscal year may be found in the CAO's Third Homelessness Funding report, dated February 10, 2026, which contains 46 recommendations necessitating significant changes to the City and LAHSA's

contracts (C.F. 23-1022-S27). This report includes the instruction, among others, to transfer up to \$0.01 from a Health and Wellness Program for women experiencing homelessness. Similarly, the first Annual Homelessness Funding report, as amended, contained 78 individual recommendations (C.F. 23-1022-S16). Upon Council approval, each of these recommendations, and the associated funding changes, are incorporated into the relevant contract recitals, as well as attached in compensation tables, which may add 150 pages to a single contract. As such, contracts serve as accounting ledgers, rather than legal documents establishing work requirements.

Our Office also understands that City-LAHSA contract amendments can delay the invoicing process for service providers, if funding amounts relative to specific programs (“line items”) change. As City contracts under amendment may require revisions to LAHSA-service provider agreements that leverage City funding, some service provider invoicing cannot occur until both sets of contract revisions are in place and executed. This process can take months to complete.

Administration Challenges

Our Office also identified contracting challenges related to fiscal administration of LAHSA contracts, in particular, the reconciliation process. Reconciliation involves comparing budgets for each City-LAHSA funding agreement, and the funding categories/line items therein, against invoices (“cash requests”) from LAHSA. City staff often identify discrepancies between the two sets of information. As a result, the City may then delay payment for the entire set of programs under a given funding agreement if discrepancies are found with respect to one component of the cash request.

The City’s HHAP contract, for example, houses 24 unique program components. Many of those program components also appear in other City-LAHSA contracts. If the City identifies a discrepancy through the reconciliation process, and must accordingly withhold payment, then all program payments under the same funding-source contract may be affected. Due to such challenges related to reconciliation, our Office understands that the Inside Safe program component of the General Fund contract was removed in Fiscal Year 2024-25, and a new General Fund contract (C-140706) that included Inside Safe was executed so as to separate any reconciliation issues that may arise.

Further pursuant to the reconciliation process, a cash request from LAHSA may be disallowed because it requests reimbursement for a line item that is above plan for the quarter. This may require that payment of the entire invoice, including for multiple additional programs and/or service locations, be delayed. In addition, the cash advance procedure has created additional challenges for City administrators. The City has, at times, required that LAHSA return to the City unused amounts from previous quarterly advances, rather than allowing LAHSA to move monies between line items. LAHSA must then issue new cash requests, if quarterly expenditures are above or below plan with respect to individual line items. This practice may then require that service providers return funds to LAHSA. City contracts allow LAHSA to move funding between line items; however, invoicing guidance to LAHSA from the City appears to vary, and may discourage this practice.

Finally, the City and LAHSA do not use the same information management systems. As a result, staff use excel spreadsheets to track and share important payment information.

Organizational Challenges

We find that development of program scope, contract negotiation, and contract management may involve different City departments, discretely, in single phases of the process, and not the entire process. Currently, several City Departments are involved in program and contract development, and contract implementation. Each, variously, focuses on their area of specialty, such as grants management and settlement compliance, program delivery, and drafting contracts. All concern themselves in some way with aspects of the LAHSA invoicing and payments process. As a result, the City process for developing and managing/administering contracts can be siloed and disjointed. Further, LAHSA reports to not have a single set of contacts at the City to whom they can consistently address concerns. With the Bureau, it is anticipated that there will be a single City agency to head contract development and a single point of contact for LAHSA regarding City-funded homelessness programs managed by LAHSA.

Finally, it is important to note that there is no current operating agreement, MOU, or otherwise, between the City and LAHSA, which would define the roles and responsibilities of each party in the contracting and administrative process. To that end, this report recommends an MOU be effectuated between the City and LAHSA to address the litany of challenges described above. A draft version of such an MOU is attached to this report for consideration (Attachment II).

DISCUSSION

The above review of City contracting identifies significant challenges that hinder the contractual relationship between the City and LAHSA. These challenges create negative impacts on service providers who operate IH programs. However, these challenges also affect the entire portfolio of LAHSA-managed and City-funded homelessness programs. Therefore, to remedy these challenges and implement best practices, the City should institute process improvements for contracting between the City and LAHSA related to all programs.

Formation of the Bureau should facilitate implementation of these best practices, including oversight of contracting and administration, with management personnel dedicated to this function. For the Bureau to do so, this report includes recommendations to:

- Execute an MOU with LAHSA in order to clearly define and structure the City and LAHSA's contractual relationship and work program.

Effectuating the MOU is intended to provide a regulatory framework for all homelessness programs and projects that the City funds and LAHSA manages; define governance over and reporting requirements of LAHSA; and establish long-term stability for the LAHD Bureau to administer and LAHSA to manage the City's Homelessness Response System (HRS).

- Effectuate a series of program agreements with LAHSA related to the work program, which are to be program-based and structured around individual SRSSs.

Program agreements should ensure the City's HRS work program is program-based, rather than based on funding sources, which should allow for more specific and organized management of individual homelessness programs and monitoring of program outcomes. In conjunction with the formation of a dedicated Bureau, these agreements should facilitate better oversight of contracting and administration, as personnel will be dedicated to this function.

- Implement an Administrative Amendment / Work Order (AA/WO) system pursuant to each SRS-based program agreement.

Implementing the AA/WO system should reduce the volume of contract amendments, thus limiting the administrative burden on the Bureau. This approach should also prevent the contract from becoming an extended accounting document, as well as facilitate the timely payment for services. Further, the AA/WO system is intended to allow the Bureau to increase focus on performance management instead of spending its resources on administration.

In addition, it should be noted that the recommendation of this report to implement an MOU with LAHSA, and the related program agreements, is responsive to the budget instruction to effectuate a Master Services Agreement (C.F. 25-0600). The budget instruction seeks to move the City away from contracting with LAHSA on the basis of funding sources. In substantial conformance with this instruction, this report recommends a contracting system based upon types of services (for example, relative to Interim Housing), rather than funding sources.

MEMORANDUM OF UNDERSTANDING (MOU)

This report outlines the key terms and conditions of the MOU that will structure the relationship between LAHSA and the City. The City Attorney's Office, CLA, and LAHD have worked together during FY 2025-26 to finalize a draft term sheet of the MOU, which is included as Attachment II to this report. Instituting an MOU with LAHSA is intended to contractually define the responsibilities of the City and LAHSA in the implementation of the City Homelessness Response System (HRS), as current contracts between the City and LAHSA do not provide clear guidance on the responsibilities of each party.

We propose that the City and LAHSA execute an MOU that includes key provisions for that relationship, including contractually defining a work program for LAHSA. A single MOU between the City and LAHSA would provide a regulatory basis for all the homelessness programs and projects that the City directly funds and LAHSA manages. In particular, this MOU is intended to define governance over and reporting requirements of LAHSA, which will allow the Bureau to manage the City and LAHSA's contractual relationship.

Should the Council decide to pursue a different approach to contracting for homelessness services, this MOU could serve as a basis for engaging with any coordinating partner.

MOU Terms and Conditions

Below are summarized the key components of this draft that would be incorporated into an executed MOU with LAHSA, should Council adopt the recommendations of this report.

- **Duration**

The MOU should be structured as a multi-year agreement to establish long-term stability in the administration and management of the City's HRS. Further, a multi-year term for the MOU should reduce the administrative burden related to single-year contracting.

- **Governance**

This MOU section would stipulate roles and responsibilities, as well as designating a lead, of the MOU for each party. It would also cover general provisions concerning resourcing, information requests/sharing, implementation, and assignment of personnel to support the scope of the MOU. Further, notification would also be a component of this section, including vacancies on the Commission for the City to fill; activation of processes cited in the Joint Powers Authority (JPA) Agreement; and any actions that occur pursuant to the JPA.

- **Reporting**

Terms should be provided in the MOU related to the frequency/cadence by which the Bureau reviews service provider performance, including program files, final monitoring reports, risk analyses, as well as the Corrective Action Plans and Performance Improvement Plans relating to service provider performance. In addition, the City-LAHSA relationship defined in the MOU should ensure that LAHSA provides to the City an annual listing of contracts executed with City funding, as well as a roster of staff funded with City resources.

- **Continuum of Care (CoC) Responsibilities**

This section would list the duties of LAHSA as the Collaborative Applicant for the Los Angeles CoC. The City provides funds to support LAHSA's role as CoC administrator under relevant federal statutory requirements and Housing and Urban Development (HUD) regulations. Such duties include: conducting the Homeless Point in Time Count; maintaining the Homeless Management Information System; operating the Coordinated Entry process; applying for HUD CoC grant funding; and, other such related duties.

- **Contracting for Policy, Programs, Services and Administrative Purposes**

This section of the MOU would provide the parameters for the City to develop and enter into subject matter agreements with LAHSA, i.e., SRS-Based Agreements. The key features of SRS-based program agreements are included in Section II of Attachment II to this report, and are further discussed in the next section of this report. In addition, this section requires the City and LAHSA to develop an implementation plan to document processes and procedures for contracting. This implementation plan would supplement the MOU and program agreements by, for example, defining terms of City payment to LAHSA, as well as LAHSA's remuneration of services providers, relating to reconciliation, advances, and timing for these processes to occur.

In addition, this section would address LAHSA implementation of Generally Accepted Accounting Principles and best industry practices to monitor performance. It should also reinforce compliance with the reporting requirements mentioned above by further

stipulating City terms of access to LAHSA and to subcontractor documentation developed under the LAHSA operational terms, “Active System Management,” “Active Contracts Management,” and “Compliance Monitoring,” which are described in Attachment I to this report.

- **Service Provider Contracting**

This section would cover LAHSA subcontracting with other entities on behalf of the City to deliver policy, programs, services, and administrative support mutually agreeable to the City and LAHSA. This would establish procurement processes consistent with City contracting requirements, and ensure that the terms and conditions of this MOU with the City are incorporated into all subcontractor agreements. This should also set terms for LAHSA to comply with Competitive Bidding, Wage Compliance, Local Preference, and Business Inclusion requirements in its contracting for service procurement and provision with outside entities.

- **Budget**

The MOU would define how LAHSA informs the City of its budget, including that LAHSA present its budget proposal to the Bureau in advance of the City’s annual budget process, as well as any related funding requests or Notices of Funding Availability from State and federal partners that affect the City. This is intended to provide an advance period for consideration of policy, program, and service needs, as well as the timely execution of contracts. It would also allow the City to actively engage in program and service development early in the process.

- **Work Program**

The MOU with LAHSA would outline the work program for the City HRS, which would consist of the following elements: Administration, Prevention, Street Management, and Rehousing, as identified in the LAHSA Strategic Plan. It is intended that the annual work plan be developed by key City Departments and LAHSA, and approved by Council, Mayor, and the LAHSA Commission, prior the beginning of the fiscal year, so that it can inform the budget process. Once approved, there would also be a mid-year status report to inform parties of progress on the work program and to provide an opportunity for the City to propose additional priorities, as needed.

- **Standard Terms and Conditions**

This section would comprise standard terms and conditions of City contracts which had not been addressed in the preceding MOU sections, including but not limited to: amendments to the MOU, supplements, indemnities, warranties, and insurance. In addition, this MOU section would incorporate terms regarding dispute resolution, indemnification, audits and maintenance of records, as well as language concerning severability, survival, and Force Majeure.

PROGRAM AGREEMENTS

Within the framework of the MOU, program agreements would be developed to deliver services. Program agreements would be administered and managed by dedicated Bureau staff. Our Office has reviewed current City-LAHSA contracts. Scopes of work (SOWs) related to each program,

as they currently appear in each City funding agreement, are not sufficient to dictate terms for the delivery of services. Therefore, individual program agreement contracts should be negotiated with LAHSA, which would include the related metrics for performance evaluation.

Program agreement contracts would be based on subject matter rather than funding source, and include the standard contract terms and conditions for the exchange of City funding for services. Key features of the program agreements are detailed in the Attachment II. The process to develop and execute such individual program agreement contracts is described below.

Development of Program Agreements

To effectuate the program agreements, each element of the work program described in the MOU would require an individual contract. As noted in Attachment II, there are six anticipated program agreement contracts, though additional such contracts could be executed as needed:

- Prevention
- Street Management
- Interim Housing
- Rehousing
- Housing
- Administration

Using Street Management as an example, programs such as Mobile Showers, Access Centers, and Street Outreach could be combined into a single program agreement contract under the Street Management element of the work program. Further, funding would be allocated to each program agreement via the budgeting process described in the MOU.

These individual program agreement contracts would be based on a Council-approved SRS, or set of SRSs, and reference the MOU for standard provisions, terms, and conditions. Each would also include Key Performance Indicators (KPIs) and metrics for program performance. To the extent that Council seeks alignment with the County, these SRSs could be jointly developed. For example, in 2024-25, the City and County, jointly with the assistance of LAHSA, developed a standard IH SRS, ensuring a consistent service delivery system for IH across the County. Further, SRSs may incorporate and combine, as necessary, the current LAHSA SRS that are included in contracts between LAHSA and its service providers.

However, the City should first review each LAHSA SRS. It is envisioned that the contract language for each individual program agreement contract would largely be the Council-approved SRS and associated metrics, as MOU terms and conditions would only need to be referenced, not reproduced under each program agreement.

Strictest Use Case

It should also be noted that, in order to structure the terms and conditions for the exchange of the City funding for services, program agreements should incorporate the strictest use case, relative to applicable State, federal and Local requirements, for each program agreement.

For example, LAHD reports to have developed contracts that incorporate provisions regarding strictest use of funds relative to State and Local sources into the terms and conditions of the Alliance contract (C-141840). This blends State requirements relative to HHAP grant funding and County requirements. The City thus has a history of developing such contracts, which include different sources of funding, with differing requirements, to comply with strictest uses of the funds. This experience would be applicable to the effectuation of program agreements.

WORK ORDER AND ADMINISTRATIVE AMENDMENTS

Implementation of the MOU and program agreements should introduce increased accountability and transparency to the City HRS. However, process improvements should also be implemented to reduce Bureau staff time dedicated to the contracting and administrative issues detailed above. These process improvements should allow the Bureau to focus on data and performance monitoring of LAHSA, as well as facilitate the timely payment of City funds for services.

To do so, we propose a Work Order (WO) and Administrative Amendment (AA) process for each individual program agreement, to be included in the terms and conditions for the exchange of City funding for services. The WO/AA system should allow changes/adjustments to funding amounts, service location, or service providers to occur outside of amending the program agreement contract itself, subject to the required Council approval and proper documentation. This is intended to reduce the volume of contract amendments related to funding adjustments under the amounts authorized by Council. Further, this approach should prevent the contract from becoming an extended accounting document.

- **Work Order (WO)**

WOs would be initiated at the beginning of the fiscal year to allocate a total annual funding amount to each individual program agreement, while providing a list of service locations, as well as the service providers conducting work, under that agreement. The WO would be uploaded to the Los Angeles Regional Alliance Marketplace for Procurement (RAMP LA) for transparency.

From an accounting/finance management perspective, the WO would relate to a single funding category, for example, Interim Housing. WOs could be added, and the associated funding amounts/service locations/subcontractors identified, as Council approves additional SRS-based program agreements.

- **Administrative Amendments (AA)**

The AA process would then be activated over the course of the fiscal year to effectuate by-right adjustments, as needed, to the amounts in each account under each funding category. The adjustments could be made via letter, and would be tracked by the Bureau for financial reporting purposes. AAs would occur under Council authority, relative to the approved amounts for each program agreement/funding category. Therefore, it is also intended that AAs be uploaded to RAMP LA, in order to publicly document smaller changes to the initial WO.

Interim Housing WO / AA

The recently renewed City IH Program provides a case study to envision this new approach. At the beginning of each fiscal year, pursuant to the City's budget process, Council could approve and allocate funding to the Interim Housing program under an IH program agreement contract, which would correspond to an operative funding category in the finance management system, in this case, "Interim Housing."

Thus, with the requisite Council authority, the WO for the IH program component would serve to allocate that funding to service locations and/or site operators. Should Council approve adjustments to funding during the program year, such changes could be effectuated through a subsequent AA. Each IH WO/AA would be uploaded onto RAMP LA for public review. Council may also approve changes to service locations and service providers through an AA.

However, it should be noted, if Council and Mayor were to increase the total funding allocation, above that authorized in the initial WO, then a new WO would be needed. In effect, Council increasing funding would require a contract amendment to be effectuated, and likely require changes made under any previous AA to be reflected in the new WO.

CONCLUSION

Figure 1 below summarizes the system improvements that may be gained by executing an MOU with LAHSA, along with SRS-based individual program agreements with an AA/WO system.

It should be noted that some programs will not benefit from the contracting best practices recommended in this report. For one, there may be homelessness programs that fall outside the work program and/or contravene stipulations related to the strictest use of funds. If Council seeks to add additional program components to the MOU, or to include uses of funds that do not accord with its terms and conditions, the City would contract separately for such service, independent of the contracting model outlined in this report, utilizing flexible City sources of funds to implement the program. The Inside Safe program may be one such program to consider as a model for separate contracting.

Nevertheless, the implementation of the MOU, program agreements, and administrative efficiencies should allow for the newly-formed Bureau to focus its efforts on LAHSA oversight and performance evaluation, rather than resolving challenges that are administrative in nature.

As such, oversight could involve the Bureau reviewing the results of LAHSA's Active Contracts Management and Active System Management, or monitoring Compliance efforts in the issuance of Performance Improvement and Corrective Action Plans, as described in Attachment I. Further, with the administrative burden diminished, the Bureau may more easily evaluate system performance, producing reports for the Council, as well as evaluate service provider performance for internal review. Information gained under this process may help to inform annual budget adjustments.

In each case, the City and LAHSA would have defined pathways for communication, knowledge, and information sharing that do not currently exist under the current system, if the recommendations of this report are adopted.

Figure 1
System Improvements: Contracting Challenges & Best Practice Implementation

Challenge	Best Practice	Implementation
Changes to a single program initiates an amendment to the entire funding-source contract.	One service type should not be contractually tied to another service type.	Institute MOU that provides for SRS-based program agreements, which are related to one individual service type, i.e., IH.
The funding process requires Council approval on dozens of funding instructions.	Funding should be approved annually, and additional funding below the annually-approved amounts should be handled administratively.	Council shall approve funding for SRS-based program agreements annually, with a single up-to amount for funding relative to each program agreement. Subsequent funding adjustments beneath the Council-approved total, relative to each program agreement, are to occur administratively via WO/AA.
Contracts serve as accounting ledgers.	Funding instructions and account transfers should not be memorialized within contracts.	All WO/AA are made available on a public-facing platform, such that fiscal adjustments, relative to each respective program agreement, are trackable.
Contract amendments may delay payment for service providers.	Service provider payment should not be dependent on City contract amendments.	Changes to funding, service location, service providers under each program agreement will occur via WO/AA, by letter, to LAHSA, and documented publicly.
The reconciliation process may require withholding of payment, and the return of funds previously issued.	Contracting should be structured to facilitate/ expedite administrative review and payment.	The MOU defines the processes by which the City pays LAHSA, and by which service providers are remunerated by LAHSA. Implementation agreements shall document the terms for advances and invoice reconciliation, and the cadence thereof.
The City and LAHSA have different data management platforms.	Information relevant to City business should be shared regularly.	The MOU defines processes by which information is shared, as needed, inclusive of financial reports and other relevant reporting.
Organizational structure is unclear, and may cause duplication of administrative efforts.	A single City entity should be designated lead for contracting and related matters.	Consolidate City-LAHSA contractual arrangement into a single MOU; the Bureau will be designated MOU manager, and assume related contract management duties.



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Attachments:

- I. LAHSA: Active Contracts Management and Active System Management
- II. Draft MOU with LAHSA
- III. Committee Report as Amended: December 4, 2024

Attachment I

**Los Angeles Homeless Services Authority:
Active Contracts Management & Active System
Management**

City contracts with the Los Angeles Homeless Services Authority (LAHSA) do not require a contract compliance service for those agreements between LAHSA and its subrecipients (“service providers”). However, LAHSA reports to provide a contract compliance service which it terms “Active Contracts Management” (ACM) and “Active System Management” (ASM) for service provider contracts. LAHSA reports that this Active System was developed and began implementation in October of 2024, and will be fully implemented for Fiscal Year 2025-2026.

Grants Management and Compliance

Our Office met with LAHSA to better understand its contract compliance service. We understand that LAHSA manages its portfolio of contracts with service providers through three distinct processes:

- Compliance Monitoring
- Contracts Management (“Active Contracts Management”)
- Programmatic Monitoring (“Active System Management”)

The Grants Management and Compliance (GMC) Department conducts compliance monitoring and contract management activities, while Programs Departments (e.g., IH, Time Limited Subsidy, Housing Navigation, etc.) lead programmatic monitoring, in coordination with GMC. GMC is split into two divisions: the Compliance division and the Grants Management division.

Compliance

The Compliance Division monitors a service provider by reviewing documentation, such as timesheets, general ledger expenses, and financial information. This may occur as a “desk review,” in which Compliance reviews documentation relating to a given service provider. Compliance also conducts review by testing a smaller sample of documentation than would occur through the desk review process. This is called “mini-desk” review. Compliance also conducts facilities monitoring, which occurs via site visits. For example, the Interim Housing (IH) Scope of Required Services (SRS) requires that three meals be provided, one of which is hot. To verify, Compliance checks that general ledger expenses for food are aligned with the relevant SRS requirements; and, during site visits, looks at menus, ensures that food is not expired, and notes that appliances are in good working condition to further verify service provider adherence to the SRS terms. In addition, participants may file complaints via QR code, which Compliance may also use to assess service providers’ adherence to terms of the SRS.

Grants Management

The Grants Management Division conducts ACM, whose LAHSA reports relate to fiscal and contract performance oversight during the contract term. ACM ensures that programmatic benchmarks are achieved while grant expenditure milestones are met. For fiscal performance, Grants Management looks at what is outlined in the service provider budget, and compares it to spending against the award, as evidenced within the electronic grants management system. For example, the IH SRS requires certain staffing levels relative to participants. To verify, Grants Management compares the staffing plan against actual spending. Comparing staff allocations may show that a position is vacant, and that a service provider is out of compliance. For contract performance, Grants Management may review data dashboards; however, the relevant Programs Department takes the lead in this capacity.

In general, LAHSA reports that Grants Management monitors resource allocation, i.e., fiscal performance.

Active System Management

LAHSA reports that GMC focuses its efforts on overall contract compliance, while ASM is mostly focused on service provider adherence to a given SRS. This means that ASM is focused on contract deliverables related to site activities and participant outcomes at a specific moment in time, while GMC focuses on contract deliverables over a longer timeframe, i.e., “Lookback Period,” to determine contract compliance for service providers. We use the example of IH to further describe ASM processes.

Interim Housing

There are 40 IH staff (“coordinators”) who conduct ASM. IH coordinators monitor 12-20 sites each. LAHSA reports that the caseload of each coordinator is not based on the provider, but rather on geography, to ensure efficiency.

IH coordinators review participant outcomes, such as participant completion of Universal Housing Applications, applications for State identification and Social Security, as well as Coordinated Entry System (CES) Assessments, to evaluate deliverables related to case management. There are also program operations priorities, which are relevant to provider obligations included in the IH SRS, such as bed utilization, appropriate level of staffing, and inventory module updates. LAHSA reports that if providers are delinquent in any of the program operations or case management expectations relative to the IH SRS, then IH coordinators will conduct site visits at a frequency that is in proportion to the number of delinquent categories. Tableau Dashboards, which draw information from the Homeless Management Information System, serve as the tool for IH coordinators to track the extent to which goals are being achieved. Further, IH coordinators access “Box,” a digital document management platform, to evaluate program data, such as participant reports concerning the achievement of case management deliverables. Ideally, performance issues on the part of the service providers should be addressed through the ASM process, as IH coordinators provide ongoing technical assistance and corrective measures to rectify deficiencies identified.

For programmatic benchmarks, LAHSA notes that Programs Departments play the primary role of monitoring performance, i.e., Key Performance Indicators, via tableau dashboards, while Grants Management plays a secondary role in monitoring resource utilization, i.e., spend down. LAHSA also informs that direct correlation of spenddown with programmatic dashboards is under development but should be ready to implement for Fiscal Year 2025-26.

Corrective Action Plans / Performance Improvement Plans

Deficiencies identified through Compliance, ACM, and ASM processes, if not rectified, will lead to the issuance of corrective action plans (CAPs). Compliance generally handles the issuance of CAPs, which relate to documented findings that result from formal desk reviews or onsite monitoring. For example, if performance issues cannot be remedied through the ASM processes deployed by Programs Departments, then Compliance must determine whether further corrective action is needed. To document these processes, Compliance may issue final monitoring reports that cite the effectiveness of prior ACM/ASM activities to provide the basis for issuance of a

CAP. As these processes are newly-implemented, it is anticipated that the City will be informed of such final monitoring reports during Fiscal Year 2025-26.

In addition, LAHSA is instituting Performance Improvement Plans (PIPs) in relation to the ACM process overseen by Grants Management. With PIPs, Grants Management seeks to correct deficiencies related to internal benchmarks, such as monthly or quarterly spending targets and participant counts. PIPs are not formal findings, but rather derive from active review of the Electronic Grants Management System and Tableau dashboards, though they may lead to formal findings. LAHSA informs that, beginning FY 2025-26, PIPs will be more systematically integrated into the monitoring process. To that end, FY 2024-25 served as a baseline year to establish benchmarks, relative to the IH SRS, for example. With benchmarks in place, FY 2025-26 will begin the evaluation period and PIPs can be issued in relation to underperformance.

Third-Party Audit

The City-funded and court-appointed assessment (A&M Review) of City homelessness programs, dated March 6, 2025, found that LAHSA should improve contract monitoring and compliance. The A&M Review was relative to programmatic and financial reporting during the lookback period of July 1, 2020 through June 30, 2024. As noted, LAHSA reports to have developed and begun implementation of ACM/ASM in October of 2024. With full ACM/ASM implementation, it is anticipated that this finding is addressed.

City Action

This report advises that the City include the ACM/ASM process, as described above, in the Memorandum of Understanding (MOU) that the City negotiates with LAHSA in order to institutionalize the contract monitoring service described above. By adding ACM/ASM into the MOU with LAHSA, it is anticipated that mutually-agreed upon standards for LAHSA and service provider performance will be contractually defined. Included in the MOU should also be provisions that allow for the City to access the results of the ACM/ASM process for performance review undertaken by the City.

Attachment II

**Draft Memorandum of Understanding with the Los Angeles
Homeless Services Authority**

A Memorandum of Understanding (MOU) establishing the working relationship between the City of Los Angeles (City) and Los Angeles Homeless Services Authority (LAHSA), and the attendant Program Agreements and Operational Agreements required to effectuate the policies and programs governed by the MOU, as set forth hereunder.

I. MOU

A. PURPOSE

1. Describes relationship and obligations between LAHSA and City; including but not limited to, the necessary details that activate the relationship between LAHSA and the City as outlined in the Joint Exercise of Powers Authority agreement between the City and County of Los Angeles that created LAHSA;
2. Describes the working partnership between the parties beyond just the financial relationship;
3. Should not include anything that would need to be amended regularly;
4. Sets consistent expectations across all City funding that LAHSA administers, including:
 - a) Programmatic and fiscal management standards
 - b) Data collection
 - c) Reporting requirements
 - d) Accountability mechanisms; and
5. Seeks to create efficiencies in the contracting and payment processes, reducing unnecessary administrative burden.

B. TERM

1. Multi-year, 5- or 10-year term.

C. GOVERNANCE

1. **Roles and Responsibilities:** Each Party agrees to comply with the roles and responsibilities set forth in this MOU, including ____ (any attachments included herein, and/or any supplemental Operating Agreements)____
_____ and under the governance procedures set forth under this Article _____;
2. **LAHSA Representatives:** [*LAHSA discretion*];

3. **City Representatives:** The City Council and Mayor shall designate a single department, office, or agency as the lead representative regarding this MOU. Designation may change from time-to-time, with notice to LAHSA;
4. **Issue Resolution.** The Parties shall make good faith efforts to resolve any issues that arise with respect to this MOU;
5. **Resourcing:** The Parties will allocate the resources, including personnel, necessary to perform its obligations under this MOU;
6. **Assigned Personnel:** The Parties agree that to facilitate the efficient, timely, and safe delivery of Scope under the MOU, each Party will use good faith efforts to maintain continuity of assigned personnel to support the Scope;
7. **Information:** If the City requests information, LAHSA shall assign staff to complete such requests in a timely manner; and
8. **Implementation:** Within 90 days of the Effective Date, the City and LAHSA will jointly complete the meetings necessary to ensure coordination, training, and implementation of this MOU.

D. REPORTING

1. **General Reporting:** LAHSA shall furnish to the City at the times and on the forms and formats, electronically or manually, as the City may require all records, reports, data and information pertaining to matters covered by this MOU;
2. **Authority's Financial Reports:** Consistent with JPA Section 8, LAHSA shall provide written reports as determined by the City; and
3. **Reporting As-Needed:** LAHSA shall cooperate with the City on reports with regards to the Work Program, budget, policy, program development, and other issues of concern, as needed.
 - a) Copies of all reports requested by any City entity shall be provided concurrently to the City's entity designated to oversee this MOU, as well as the requesting City entity.
 - b) Reporting relative to LAHSA contracting with City-funded service providers, either partial or in-full; information requested may include:
 - (i) Corrective Action Plans
 - (ii) Performance Improvement Plans
 - (iii) Final Monitoring Reports.

- c) LAHSA shall inform the City of lawsuits that may implicate City's interests.

E. CONTINUUM OF CARE (CoC) RESPONSIBILITIES

1. **Los Angeles City and County CoC Collaborative Applicant:** LAHSA, as CoC Collaborative Applicant for the LA CoC, shall have duties assigned by the LA CoC, including:
 - a) Update CoC governance charter annually;
 - b) Conduct and report on the Homelessness Counts, including the Point in Time Count, Shelters Count, and Housing Inventory Count;
 - c) Maintain and update Homeless Management Information System (HMIS);
 - d) Maintain and operate Coordinated Entry System, and develop recommendations for standards to operationalize eligibility and priority of resources;
 - e) Apply for federal Department of Housing and Urban Development's CoC grant funding and report on results;
 - f) Calendar and advise City of key dates (application/decision/receipt/reporting) for funding (including but not limited to Homeless Housing Assistance and Prevention, CoC Program, Measure A Local Solutions Fund, Emergency Solutions Grant, etc.);
 - g) Conduct annual gap analysis; and
 - h) Administer and facilitate Continuum of Care meetings, and ensure equal representation of the City in all committees, subcommittees and working groups.

F. CONTRACTING FOR POLICY, PROGRAMS, SERVICES, AND ADMINISTRATIVE PURPOSES

1. **Scope of Required Services-based Agreements:** Authorizes City to enter into separate agreements with LAHSA, which are consistent with the organizational structure of the Homelessness Response System, as currently described by the LAHSA Strategic Plan (outlined in Appendix A), to address contracting for:

- a) policy development
 - b) program and service operations
 - c) administrative services;
2. **Accounting:** LAHSA shall implement Generally Accepted Accounting Principles and best industry practices to monitor subcontractor performance and accounting;
 3. **Compliance:** LAHSA shall provide City access to LAHSA and subcontractor documentation developed under contract management, compliance, and accounting practices (currently under the operational terms “Active System Management” and “Active Contract Management” and “Compliance Monitoring”);
 4. **Administration:** Consistent administrative expectations across all City-funded programs and services LAHSA administers [see below for examples]; and
 5. **Implementation Plan:** City and LAHSA shall develop an implementation plan to document processes and procedures for contracting and administration, including the payment of service provider and LAHSA invoices, i.e., reconciliation, advances, and timing thereof.

G. SUBCONTRACTING

1. **General Provisions:**
 - a) City agrees and authorizes LAHSA to enter into subcontracts with other entities to deliver policy, programs, services, and administrative support mutually agreeable to the City and LAHSA.
 - b) LAHSA and the City shall develop a policy with regard to subcontracting procedures for policy, program operations, service delivery, and administrative support.
 - c) LAHSA will ensure that the terms and conditions of this MOU with the City are incorporated into all subcontractor agreements.
 - d) For purposes of this MOU, subcontracts/work orders shall include, but not be limited to, purchase agreements, rental or lease agreements, third party agreements, consultant service contracts, and construction subcontracts.
 - e) LAHSA shall comply with City contracting procedures, including but not limited to:

- (i) Competitive Bidding / Procurements
 - (ii) Wage compliance
 - (iii) Local preference
 - (iv) Business Inclusion requirements; and
2. LAHSA shall provide notice to the City of any subcontracting process to be initiated under this MOU and confer with the City in development of all bid documents.

H. BUDGET

1. Establish annual budget process for homeless programs to align with City Departments' existing budgeting processes, and to facilitate timely execution of contracts;
2. **Process:** LAHSA and City shall develop a budget consideration process, including reporting to City Officials, which should include:
 - a) Annual budget request from LAHSA to City, wherein LAHSA identifies funding priorities;
 - b) Advance period for consideration of policies, programs, and service needs, in alignment with the City's budget process;
3. **Timeline:** LAHSA shall present their annual budget proposal to the City, addressing financial and staffing needs of the Authority for the next fiscal year, consistent with JPA Section 4 (h), on the following timeline:
 - a) **November 1** - Presentation of proposals for new and revised policies, program, services, and administrative needs;
 - b) **February 1** - Annual Presentation of the Authority's full budget;
 - c) **March 1** - Final proposal and funding request by of each year; and
4. **Consideration:** LAHSA shall provide information in support of the Mayor and Council's deliberations for the City General Budget, including the Mayor's Proposed Budget and the Council's Consideration.

I. ANNUAL WORK PLAN

1. LAHSA and the City shall develop and approve an annual work plan describing the policy, program, services, and administrative support the City and LAHSA will accomplish over the year;

2. The parties shall jointly develop an annual work plan guiding anticipated policy, program, and service requirements in support of this MOU concurrently with the budget consideration process under Section H;
3. Development of the Annual Work Plan will include participation by key divisions in LAHSA and key City Departments (including LAHD, Mayor, CAO, and CLA at the Effective Date, or as later determined by the City);
4. The Annual Work Plan will be presented to the City Council and Mayor and the LAHSA Commission for consideration and approval prior to the beginning of the Fiscal Year, with a mid-year status report presented no later than January 15 of each year; and
5. The Annual Work Plan shall include:
 - a) A schedule of key actions anticipated during the year;
 - b) Related budget information; and
 - c) Other matters to be determined.

J. OTHER PROVISIONS

1. MOU Amendment or Supplement;
2. Risk Management:
 - a) Indemnity (clarify LAHSA's obligations to City)
 - b) Warranty
 - c) Insurance;
3. Dispute Resolution:
 - a) General
 - b) Alternative Dispute Resolution; and
4. Miscellaneous:
 - a) Approvals
 - b) Further Documents and Actions
 - c) Notices
 - d) Audit and Inspection
 - e) Maintenance of Records
 - f) Assignment, Successors and Assigns
 - g) Waiver
 - h) Amendments
 - i) Governing Law and Jurisdiction, Severability, Counterparts, and Force Majeure
 - j) Limitation on Third Party Beneficiaries
 - k) Survival.

II. PROGRAM AGREEMENTS

A. PURPOSE

1. Functions as the contract with LAHSA to administer various homelessness-related services in exchange for payment from the City;
2. One program agreement contract for each category of services, rather than multiple contracts covering multiple categories of services; and
3. All relevant funding sources will be blended into each program agreement, as opposed to the current model, which provides for different funding agreements for each funding source.

B. TERM

1. Multi-year. 3-year term.

C. ANTICIPATED PROGRAM AGREEMENT CATEGORIES

1. Prevention;
2. Street Management:
 - a) Outreach
 - b) Street Services;
3. Interim Housing;
4. Rehousing:
 - a) Housing Navigation
 - b) Time-Limited Subsidies;
5. Housing:
 - a) Permanent Supportive Housing Lease-Up
 - b) Master Leasing;
6. Administration:
 - a) CoC Functions
 - b) Executive/Management; and
7. Additional, as needed.

D. SCOPE OF REQUIRED SERVICES

1. Needs to be consistent with final Standards of Care adopted as part of Executive Committee for Regional Homeless Alignment; and
2. Emphasize contracting best practices rather than individual service provider contracts/pilot programs.

E. PROGRAM MEASUREMENTS

1. LAHSA collects data across all LAHSA-administered, City-funded services and submits performance data to the City on an agreed-upon schedule; and
2. Key Performance Indicators attached to Scope of Required Services-based contracts; once established, cannot be amended until after the performance period (“term”) is up.

F. FUNDING

1. Contingent on availability of funds;
2. Up-to amount; and
3. Multi-year term.

G. SUBCONTRACTING

1. Procedures and responsibilities related to subcontracting procedures;
2. Work/Task Orders to Amend Program Agreements Administratively, including amendments to:
 - a) Change funding (e.g., rates);
 - b) Extend term;
 - c) Change sites, service locations;
 - d) Remove/Add Service Providers; and
3. Scopes of Work remain the same and are not able to be amended administratively.

Attachment III

**Housing and Homelessness Committee Report as Amended:
December 4, 2024 (C.F. 23-1348)**

HOUSING AND HOMELESSNESS COMMITTEE REPORT relative to the interim housing bed rates adjustment; and related matters.

Recommendations for Council action:

1. NOTE and FILE the Los Angeles Homeless Services Authority (LAHSA) report dated September 26, 2024, attached to the Council file.
2. ~~APPROVE the proposed interim housing bed rates, as applicable, to be effectuated January 1, 2025, at the Level Staffing Model, Wage Tier 1 rates as follows:~~
 - a. ~~\$69 per bed per night for sites with 51 beds or more.~~
 - b. ~~\$79 per bed per night for sites with 50 beds or less~~ *Amended Motion (Raman - Harris-Dawson)
3. APPROVE a 12 percent administrative rate for Service Providers beginning January 1, 2025, which is included in the proposed interim housing bed rates within the City Administrative Officer report dated October 2, 2024, attached to the Council file.
4. INSTRUCT the CAO to identify funding and include the necessary authorities to execute new or amend existing contracts to effectuate the increased bed rates in a future report.
5. APPROVE the proposed interim housing bed rates, as applicable, to be effectuated July 1, 2025, at the Enhanced Staffing Model, Wage Tier 1 rates as follows:
 - a. \$89 per bed per night for sites with 51 beds or more
 - b. \$116 per bed per night for sites with 50 beds or less
6. DIRECT the CAO, Chief Legislative Analyst (CLA), and REQUEST the Los Angeles Homeless Services Authority (LAHSA) to report to council on additional funding opportunities to cover gaps in operating costs for interim housing sites.
7. DIRECT the CAO and CLA to consult with Council Offices to identify expanded services and associated costs to provide those services in interim housing sites.
8. INSTRUCT the CAO to solicit the County of Los Angeles for payment for client services equivalent to the payments and services provided at Inside Safe sites and Mayfair Hotel. All City-funded single adult beds must follow the bed rate approved in the CAO report. For any bed that is currently negotiated at a higher rate, including Inside Safe beds, upon renegotiation they must follow the CAO's recommended Bed Rate listed in the report.
9. INSTRUCT the Los Angeles Housing Department (LAHD) to amend any contract regarding the operations of interim housing facilities with the Los Angeles Homeless Services Authority (LAHSA) to include a requirement that the Scope of Required Services (SRS) for interim housing in the City be presented for review and approval by the Council, including any re-procurement for this system.
10. INSTRUCT the Chief Legislative Analyst (CLA) and CAO to work with LAHSA to make revisions to the SRS and incorporate any changes made by the Council into the SRS and require that any amendments to this draft SRS be presented to Council for review and approval.
11. INSTRUCT the CLA, CAO, and LAHD to identify and include best practices in contract management and administration to enhance accountability for LAHSA and service providers,

relative to the revised SRS for interim housing, beginning in Fiscal Year 2025-26.

12. INSTRUCT the CLA, in coordination with LAHD, CAO, and LAHSA, to develop a set of City key performance indicators (KPIs) relative to the revised SRS for interim housing, to be included in applicable City contracts with LAHSA; and to develop and report on a review process related to the City KPIs for interim housing, including the requirement that service providers participate in this process, to be included in contracts with LAHSA and service providers
13. INSTRUCT the LAHD to amend any contract with LAHSA regarding procurement of the interim housing system to implement the policy and program revisions adopted by Council.
14. REQUEST the LAHSA to report to Council on Administrative Budget allocation for FY 22-23, FY 23-24, and FY 24-25.
15. INSTRUCT the LAHD, with the assistance of the CAO, to amend the contract with LAHSA to require submission of invoices from subcontractors and other documentation for services rendered with each cash request.
16. INSTRUCT the CAO to report to Housing and Homelessness Committee, before the next meeting, clarifying the source of funds for the existing bed rate increases, and identifying funds to potentially increase the nightly bed rate, starting January 1, 2025, to the following:
 - a. \$89 per bed per night for sites with 51 beds or more.
 - b. \$116 per bed per night for sites with 50 beds or fewer.

Fiscal Impact Statement: The CAO reports that approval of the recommendations in the report will not have an immediate impact on the General Fund as funding recommendations will be provided in a future report. However, should the proposed increases be adopted and funding is needed for the initiatives, there may be an approximate fiscal impact of up to \$6.3 million in FY 2024-25 and \$183 million in FY 2025-26.

Financial Policies Statement: The CAO reports that approval of the recommendations contained in the report comply with the City's Financial Policies as there is no General Fund associated with the action at this time.

Community Impact Statement: None submitted

SUMMARY

At the meeting held on November 6, 2024, your Housing and Homelessness Committee considered a CAO, CLA, and LAHSA reports relative to the interim housing bed rates adjustment; and related matters.

The CAO reported a technical correction to the Fiscal Impact Statement replacing the approximate number from \$179.4 million in FY 2025-26 to \$183 million in FY 2025-26. After an opportunity for public comment was held, the Committee moved to approve the recommendations, as amended, as stated above. This matter is now submitted to the Council for consideration.

Respectfully Submitted,

HOUSING AND HOMELESSNESS COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
RAMAN:	YES
BLUMENFIELD:	YES
PADILLA:	YES
DE LEÓN:	ABSENT
RODRIGUEZ:	YES

JL 11.6.24 23-1348

-NOT OFFICIAL UNTIL COUNCIL ACTS-