



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

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

OSCAR VALDEZ
AUDITOR-CONTROLLER

CONNIE YEE
CHIEF DEPUTY AUDITOR-CONTROLLER

ASSISTANT AUDITOR-CONTROLLERS

MAJIDA ADNAN
RACHELLE ANEMA
ROBERT G. CAMPBELL

July 1, 2025

TO: Each Supervisor

FROM: Oscar Valdez
Auditor-Controller

Robert G. Campbell
Assistant Auditor-Controller / Chief Audit Executive

SUBJECT: **DEPARTMENT OF HEALTH SERVICES – GRANTS REVIEW
(REPORT #K23CD) - FIRST FOLLOW-UP REVIEW**

We completed a follow-up review of the Department of Health Services (DHS or Department) Grants Review dated December 27, 2023 (Report #K23CD). As summarized in Table 1, DHS implemented four recommendations and partially implemented four recommendations. DHS should fully implement the four outstanding recommendations to strengthen controls over grant management and fund utilization.

Table 1 - Results of First Follow-up Review

RECOMMENDATION IMPLEMENTATION STATUS				
PRIORITY RANKINGS	TOTAL RECOS	FULLY IMPLEMENTED	OUTSTANDING RECOMMENDATIONS	
			PARTIALLY IMPLEMENTED	NOT IMPLEMENTED
PRIORITY 1	3	2	1	0
PRIORITY 2	3	1	2	0
PRIORITY 3	2	1	1	0
TOTAL	8	4	4	0
			4	

For details of our review and the Department's corrective actions, see Attachment. We will follow up and report back on the one outstanding Priority 1 and two outstanding Priority 2 recommendations. The outstanding Priority 3 recommendation is exempt from subsequent follow-up reviews in accordance with our standard procedures.

Each Supervisor
July 1, 2025
Page 2

We thank DHS management and staff for their cooperation and assistance during our review. If you have any questions please call us, or your staff may contact Jesse Urbano at jurbano@auditor.lacounty.gov.

OV:CY:RGC:JU:jd

Attachment

c: Fesia A. Davenport, Chief Executive Officer
Edward Yen, Executive Officer, Board of Supervisors
Christina R. Ghaly, M.D., Director, Department of Health Services

LOS ANGELES COUNTY AUDITOR-CONTROLLER

Attachment
Page 1 of 7

Robert G. Campbell
ASSISTANT AUDITOR-CONTROLLER

Jesse Urbano
CHIEF ACCOUNTANT-AUDITOR

AUDIT DIVISION

Report #K25DB

DEPARTMENT OF HEALTH SERVICES GRANTS REVIEW (REPORT #K23CD) FIRST FOLLOW-UP REVIEW

RECOMMENDATION	A-C COMMENTS
<p>1 Centralized Oversight (Priority 1) - The Department of Health Services (DHS or Department) management increase centralized oversight and support of their grant processes.</p> <p>Original Issue/Impact: DHS' grants processes, such as applying for grants and submitting reimbursement claims to grantors, are generally decentralized. Based on our walkthroughs and the findings noted in this report, DHS needs to centralize and increase their oversight and support of grants processes, including training (e.g., how to identify and apply for new grants), department-wide information sharing and communication across operational areas, and maintaining a listing of all grants.</p> <p>Increasing centralized oversight and support will help ensure processes are standardized and that financial and performance information is readily available to support management decision-making.</p> <p>This weakness increases the risk that grant opportunities are missed/lost, of errors and omissions by staff in various grants processes, of additional/unnecessary administrative burden resulting from duplicative and non-standardized processes, and that vital grant-related information is not readily available to management.</p>	<p>Recommendation Status: Implemented</p> <p>We confirmed DHS has centralized some processes to provide oversight and support over grants. Specifically, Grant Administrators within the Contracts and Grants Division are now responsible for tracking grant applications, coordinating the acceptance of grants, and assisting DHS end-user programs with changes in grant terms and regulations. We reviewed the Grants Administration Policy outlining these new processes, and also noted that DHS management distributed the Policy to DHS staff with immediate effect.</p>
<p>2 Full Utilization of Grant Funds (Priority 1) - DHS management:</p> <p>a) Immediately review grant fund expenditures, in conjunction with the Chief Executive Office (CEO), for all current grants that are at or beyond the midpoint of the grant allocation periods, and establish plans to utilize the funds.</p> <p>b) Develop and implement processes to ensure DHS, in conjunction with CEO, reviews grant expenditures for each grant when it reaches</p>	<p>Recommendation Status: Partially Implemented</p> <p>We confirmed DHS management developed a written policy to ensure the Emergency Medical Services (EMS) Agency is on track to expend the grant award entirely. We reviewed the Hospital Preparedness Program Grant Budget Review Policy, which is specific to EMS. However, the written Policy does not cover other grants managed by DHS, and it does not include the review and the development of plans to fully utilize the grant funds in conjunction with the CEO at the midpoint of the allocation period. The Grants</p>

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

RECOMMENDATION	A-C COMMENTS
<p>the midpoint of the grant allocation period, and that these reviews produce plans to fully utilize the grant funds.</p> <p>Original Issue/Impact: Los Angeles County (County) – Board of Supervisors Policy Manual (Board Policy) 4.070 requires departments to conduct a review of grant expenditures, in conjunction with CEO, at the midpoint of the allocation period and establish a plan to ensure full utilization of the grant funds, which may include determining if other DHS units or other County departments are eligible to use the funds.</p> <p>During our walkthroughs and review of documentation, we noted that while DHS’s Emergency Management Services (EMS) and Community Programs (CP) monitor and track their monthly expenditures, they do not conduct a midpoint review and establish plans to ensure they fully utilize the funds. We noted an example of a current grant where DHS had only spent \$4.6 million (23%) of the approximately \$20 million awarded, as of June 30, 2023, with only one year left in the allocation period. DHS management indicated that they were revising their spending plan and obtaining grantor approval to ensure that they fully utilize all \$20 million before the end of the performance period. This issue could have been avoided and/or detected by DHS if they had standardized training on grant processes and policies, and centralized oversight and tracking of grant awards, as noted in Issue No. 1.</p> <p>The Department has approximately \$311 million in total allocated grant funds. While DHS management indicated that there has not been an instance where they did not fully utilize grant funds, this weakness increases the risk that grant funds will be lost because they are not claimed/used before the end of the allocation period.</p>	<p>Administrative Policy delegates the responsibility to develop this internal to grant administrators, which is in progress.</p> <p>In addition, DHS management indicated that all of their current grants will be fully utilized. However, the Department did not provide documentation to support their assertion.</p> <p>The Department plans to fully implement this recommendation by August 31, 2025.</p>
<p>3 Optimizing Grant Provisions (Priority 1) - DHS management:</p> <p>a) Immediately review all current grants, determine if they are eligible to receive advances, and if eligible submit a request to the grantors for the maximum advance amount.</p> <p>b) Develop and implement a process to identify grants that provide advances, and to request/</p>	<p>Recommendation Status: Implemented</p> <p>DHS management indicated that they reviewed all current grants and determined that none are eligible for an advance since the grants already commenced and terms are already established. We confirmed that DHS developed a process for Grant Administrators to consult with finance staff to determine the feasibility of obtaining advances for new grants moving forward. We reviewed the Grants Administration Policy outlining</p>

RECOMMENDATION	A-C COMMENTS
<p>obtain such advances as soon as possible whenever they are available.</p> <p>Original Issue/Impact: County Fiscal Manual (CFM) Section 9.2.2 requires departments to obtain the best possible grant provisions, such as expediting receipt of grant monies with advances when available.</p> <p>We noted that the Department does not have a process to ensure that they obtain advances when available. For example, we noted that DHS could have received 40% of one grant in advance (\$8 million of the \$20 million allocated), but did not exercise the option and instead submitted claims for reimbursement after incurring grant-related costs. Centralized oversight and tracking of grants could have prevented or detected this issue, as noted in Issue No. 1.</p> <p>Some grants include provisions that if the grantor runs out of funding, they are not obligated to continue reimbursing grantees even if the grantees have not utilized the full grant award amount. This weakness increases the risk that DHS will not receive funding for eligible expenditures.</p> <p>In addition, some grant contracts allow grantees to deposit advanced funds into an interest-bearing account, and use the interest for program activities related to the grant. Therefore, this weakness increases the risk of lost interest revenue.</p> <p>This weakness also reduces the timeliness of cash flow to DHS. The need to submit after-the-fact reimbursement claims requires DHS staff to produce and send claims and then wait for the grantor to receive and process the claim. In addition, DHS staff may need to follow up with the grantor for payments that are not received timely.</p>	<p>this new process, which we also noted was distributed to all DHS staff with immediate effect.</p>
<p>4 Sharing Grant Opportunities (Priority 2) - DHS management develop and implement a process to share grant opportunities within DHS.</p> <p>Original Issue/Impact: CFM Section 9.2.2 requires potential grant sources to be continually explored to ensure maximum funding to the County. Departments should also share grant opportunities throughout their organization to help ensure all units are aware of potential grant funding.</p>	<p>Recommendation Status: Implemented</p> <p>We confirmed that DHS developed a process requiring the requesting program to submit a Grant Submittal Authorization Form to DHS Executive Leadership Team, who will share the grant information within DHS to determine if other programs are eligible. We reviewed the Grants Administration Policy that outlines this process, which we also noted was distributed to all DHS staff with immediate effect.</p>

RECOMMENDATION	A-C COMMENTS
<p>DHS' EMS and CP are separately responsible for their own grant processes, including independently exploring and identifying grant sources. During our walkthrough and review of documentation, we noted that DHS does not have a process to share competitive grant opportunity information between EMS and CP. The Department may be able to increase funding if EMS and CP share grant opportunities. This issue could have been detected by DHS if they had centralized grant oversight and support, as noted in Issue No. 1.</p> <p>This weakness increases the risk that DHS is not maximizing potential grant funding.</p>	
<p>5 Management Monitoring of Controls (Priority 2) - DHS management develop and implement ongoing self-monitoring processes that include:</p> <ul style="list-style-type: none"> a) Examining process/control activities, such as review of an adequate number of transactions on a regular basis to ensure adherence to departmental and County policies. b) Documenting the monitoring activity and retaining evidence so it can be subsequently validated. c) Elevating material exceptions to management on a timely basis to ensure awareness of relative control risk and to ensure appropriate corrective actions are implemented <p>Original Issue/Impact: DHS needs to develop ongoing self-monitoring processes to regularly evaluate and document that all grant processes are working as intended, as required by CFM 1.0.2. Some areas that should be monitored include:</p> <ul style="list-style-type: none"> • Searching and applying for new grants. • Accepting new grants and notifying or obtaining approval from the Board. • Use of grant funds and monitoring expenditures. • Midpoint reviews and spending plans. <p>Effective self-monitoring processes could include tests or observations examining an adequate number of transactions on a regular basis (e.g., 5 - 10 weekly, quarterly, semi-annually) to ensure adherence to County data security rules</p>	<p>Recommendation Status: Partially Implemented</p> <p>We confirmed that DHS developed ongoing self-monitoring processes for EMS grants. We reviewed the EMS desk procedures. In addition, DHS management indicated that per the Grants Administration Policy, all grants administrators are now responsible for developing internal controls over grants, and are in the process of developing self-monitoring procedures for the other areas within DHS.</p> <p>The Department plans to fully implement this recommendation by August 31, 2025.</p>

RECOMMENDATION	A-C COMMENTS
<p>and documenting and retaining evidence of this review in a manner that a third-party can subsequently validate.</p> <p>The monitoring process should also ensure material exceptions are elevated timely so management is informed of control risks and can take appropriate corrective actions.</p> <p>Increased risk for deviations from processes designed by management to accomplish departmental objectives and/or enable compliance with County policies/rules, and increased effort required to train new staff to perform these processes. Prevents management from effectively evaluating process/control environments.</p>	
<p>6 Standards and Procedures (Priority 2) - DHS management develop, finalize, approve, and distribute written standards and procedures to adequately guide supervisors and staff in the performance of their duties for grants processes.</p> <p>Original Issue/Impact: DHS needs to develop written standards and procedures to adequately guide supervisors and staff in the performance of their duties for the following processes:</p> <ul style="list-style-type: none"> • Obtaining the best possible provisions in the grant contract. • Contracting with grant sub-recipients and pass-through funding. • Processing payments eligible for grant funding. • Processing reimbursement claims and drawdowns. • Budget and carryover of grant funding. • Midpoint reviews and establishing spending plans. • Notification of regulations impacting grant funding. • Obtaining approval or notifying the Board of new grants. • Management monitoring. <p>In addition, DHS has some existing policies, but they need to be updated to include important and relevant details on day-to-day activities/processes. Specifically:</p> <ul style="list-style-type: none"> • Procedures for applying for grants do not include a requirement for supervisory review. 	<p>Recommendation Status: Partially Implemented</p> <p>We confirmed DHS management developed written standards and procedures covering the processing of timely drawdowns and a midpoint review of grant expenditures. We reviewed these policies. However, the Department did not develop written standards and procedures for the other areas noted in our review, such as contracting with grant sub-recipients.</p> <p>The Department plans to fully implement this recommendation by August 31, 2025.</p>

RECOMMENDATION	A-C COMMENTS
<ul style="list-style-type: none"> Procedures for obtaining Board approval for new grants do not include provisions for grants under \$500,000 that only require notification to the Board. <p>Standards and procedures should provide detailed guidance to staff and supervisors in the performance of their day-to-day duties and describe how processes are performed. They must also require staff and supervisors to maintain documentation of their processes and require an audit trail of key events where practical.</p> <p>Increased risk that staff will perform tasks incorrectly or inconsistently, and increased effort required to train new staff to perform these processes. Prevents management from effectively evaluating staff compliance. Increased risk that grant funds are not received or go unspent.</p>	
<p>7 Notification of Regulations Impacting Grant Funds (Priority 3) - DHS management develop and implement a process to:</p> <ol style="list-style-type: none"> Establish a mechanism and identify responsible personnel to monitor regulations that may impact grant funding. Develop a process to advise the Board and CEO of regulations that require DHS to return grant funds to the State or federal government. <p>Original Issue/Impact: Board Policy 4.070 requires departments to advise the Board and CEO of regulations preventing them from carrying out their missions that would require them to return funds to the State or federal governments. During our walkthrough, we noted DHS does not have a process to designate staff to monitor and review new or revised regulations, or a mechanism to advise the Board and CEO of regulations that could require the return of grant funds.</p> <p>This weakness increases the risk that new or revised regulations impacting DHS grants and operations go undetected, and that DHS will not be able to adjust revenue projections timely and develop alternative funding plans in the event that they have to return grant funds to the State or federal government. In addition, this weakness potentially prevents the County from initiating</p>	<p>Recommendation Status: Implemented</p> <p>We confirmed that DHS management identified their Office of Government Relations and Policy (OGRP) as the personnel responsible for monitoring and disseminating information about regulations that may impact grant funding. We reviewed the Grants Administration Policy that outlines this process and confirmed that OGRP's process includes notification to the CEO and Board, as appropriate.</p>

RECOMMENDATION		A-C COMMENTS
	timely advocacy to modify regulations that have an adverse impact on DHS grants.	
8	<p>Reimbursement Timeliness (Priority 3) - DHS management reinstruct staff to process drawdowns timely and in compliance with desk procedures for each grant.</p> <p>Original Issue/Impact: CFM Section 9.2.2 requires departments to process drawdowns timely (i.e., submitting reimbursement claims or using advanced funds). During our walkthrough and review of documentation, we noted that DHS has a reasonably well-designed process to submit reimbursement claims to grantors timely. For example, the EMS' desk procedure for their Hospital Preparedness Program grant requires staff to collect expenditure documents, review for completeness, and submit reimbursement claims monthly.</p> <p>However, our review of documentation showed staff were submitting reimbursement claims at an average interval of every two months. More frequent (i.e., monthly claiming) would improve cashflows and decrease the amount of time that expenditures are unreimbursed.</p> <p>This issue could have been detected by DHS if management had been monitoring controls, as noted in Issue No. 5.</p> <p>This weakness reduces cash flow to the County.</p>	<p>Recommendation Status: Partially Implemented</p> <p>We confirmed DHS management updated their desk procedures for one EMS grant (i.e., the Hospital Preparedness Program Grant). Specifically, the updated process extends their scheduled drawdown request to within 45 to 60 days following the end of each month to provide sufficient time for the necessary data to be available and for EMS Finance staff to reconcile the data. We reviewed an example of one grant drawdown from the Hospital Preparedness Program Grant and noted the drawdown was processed timely within the updated timeframe. However, the updated desk procedures do not cover other grants managed by DHS. DHS management indicated that they will develop a general desk procedure with higher level requirements that all grants must follow, and that grant administrators will develop desk procedures for each grant as they are awarded with any necessary unique processes.</p> <p>The Department plans to fully implement this recommendation by August 31, 2025.</p>

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