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UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

HONORABLE DAVID O. CARTER, JUDGE PRESIDING

LA ALLIANCE FOR HUMAN RIGHTS, ET )  
Al., )

Plaintiffs, )

Vs. )

CITY OF LOS ANGELES, ET AL., )

Defendants. )

No. CV20-2291-DOC

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REPORTER'S TRANSCRIPT OF PROCEEDINGS

LOS ANGELES, CALIFORNIA

THURSDAY, JUNE 6, 2024

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1 LOS ANGELES, CALIFORNIA; THURSDAY, JUNE 6, 2024

2 ---

3  
4 THE COURT: We're on the record then in the LA  
5 Alliance for Human Rights versus the City of Los Angeles,  
6 Case No. 20-02291.

7 Counsel, if you just remain seated. Would you  
8 begin with appearances by the plaintiff.

9 MS. MITCHELL: Good morning, Your Honor. Elizabeth  
10 Mitchell on behalf of the plaintiffs. With me as well is  
11 Paul Webster, executive director for L.A. Alliance.

12 THE COURT: Thank you. And Shayla?

13 MS. MYERS: Good morning, Your Honor. Shayla Myers  
14 on behalf of the intervenors.

15 THE COURT: Thank you very much. On behalf of  
16 the -- well, City, let's take the City first.

17 MS. HUANG: Good morning, Your Honor. Arlene  
18 Huang, Deputy City Attorney for the --

19 THE COURT: Nice meeting you. It's a pleasure, by  
20 the way. I think this is the first time we've had a chance  
21 to interchange. Would you move the microphone just a little  
22 bit closer. And who is with you today?

23 MS. MARIANI: Good morning, Your Honor. Jessica  
24 Mariani for the City of Los Angeles.

25 THE COURT: Nice meeting you. It's a pleasure.

1 MS. FLORES: Good morning, Your Honor. Valerie  
2 Flores, Chief Deputy City Attorney.

3 THE COURT: Pleasure. Keep those microphones  
4 closer. It's not you. It's me.

5 So on behalf of the County?

6 MS. HASHMALL: Good morning, Your Honor. Mira  
7 Hashmall here for the County of Los Angeles.

8 THE COURT: Pleasure.

9 MS. BRODY: I'm Lauren Brody, also here on behalf  
10 of the County of Los Angeles.

11 THE COURT: I was informed by the special master  
12 yesterday after double-checking that the controller might be  
13 present that moved to -- would be present today. I know you  
14 have another meeting. So I'm going to take this out of order  
15 out of courtesy. But I want to note that Dr. Adams is here.  
16 It's nice to see you. It's a pleasure.

17 And you folks are?

18 MS. SWISS: Good morning, Your Honor. Christie  
19 Swiss, outside counsel for LAHSA.

20 THE COURT: Pleasure meeting all of you folks.  
21 Thank you very much. And I'm going to give you a good  
22 shout-out about a couple things today later on. Okay? It's  
23 nice to have you here.

24 Go and come any time you want. You're busy.  
25 You've got a city to take care of.

1           But my first question is really the second question  
2 I put out in the notice. And that is that the June 6th  
3 hearing, I'd requested that the City and County provide an  
4 update on the timeline on which they received invoices from  
5 LAHSA and post them to the public website. And I also  
6 expected to hear what verification and documentation  
7 procedures the City, County, LAHSA, and the controller used  
8 to ensure services that are paid for are being provided by  
9 the providers.

10           Now, to set the record also, we received from the  
11 City a posting last night at 6:00 p.m. I read those. We  
12 also had the opportunity to listen to your homeless committee  
13 meeting which was lengthy, about four hours -- three hours  
14 and actually 18 minutes yesterday. So we listened to that  
15 last night also. So we're aware of your testimony yesterday,  
16 Doctor, at that hearing. And I'll have some questions  
17 hopefully about how we're going to get verification.

18           Now, the controller is here. And if you feel  
19 comfortable, I'd like to ask you a couple questions. I'm not  
20 going to put you under oath. We're going to have a  
21 conversation, if you'd be so kind. And if you have some  
22 folks with you, if you have Sergio or any of your staff, come  
23 on up here and gather around for goodness' sakes. Have a  
24 seat right up here.

25           First of all, good morning.

1 MR. MEJIA: Good morning, Your Honor.

2 THE COURT: Thank you for your courtesy. You don't  
3 have to be here. You understand that? I have requested. I  
4 haven't ordered.

5 MR. MEJIA: I'm honored to be here to talk about  
6 this issue.

7 THE COURT: One thing I'm concerned about is the  
8 dispute you have going between the Mayor's Office and your  
9 office. And I don't want to get into that dispute today. I  
10 don't think that that's appropriate. But I need to  
11 understand the process by which checks are literally written  
12 and your role in that.

13 So when you write a check on behalf of the City of  
14 Los Angeles to a provider, how are you able, if at all, to  
15 verify that the work has been done? And later on I want to  
16 talk to you about this website going forward.

17 So let me start just with your role or what you  
18 perceive your role to be. You write a check. What  
19 information do you have to verify that?

20 MR. MEJIA: Sure. Thank you, Your Honor. So  
21 when -- I am the City's paymaster. So a lot of the -- all  
22 the checks essentially have my signature on it. But because  
23 of the sheer volume and amount of these invoices that we do  
24 receive, we also allow the departments to do that inspection  
25 of goods and services.

1           In the case of service providers, a lot those  
2 service providers are paid and done with the Housing  
3 Department through a contract with LAHSA. So from my  
4 experience, what I've seen is when the Housing Department is  
5 about to pay an invoice, they get this cash request summary  
6 from LAHSA which details 10s or 20 or 30 service providers on  
7 that cash request summary.

8           And then from that point, it's our understanding  
9 that the Housing Department has done that verification of,  
10 you know, inspection of goods and services. And then that --  
11 then we pay it after that. And so we allow the departments  
12 to do that inspection role before payment.

13           And what I've seen from these LAHSA request  
14 summaries, I have not personally -- for the ones I've seen, I  
15 have not seen the detailed invoices attached to those cash  
16 request summaries from the service providers.

17           THE COURT: So you then write a check based upon  
18 your belief that the invoices, for want of a better word, are  
19 accurate?

20           THE WITNESS: Correct. So we rely on the  
21 departments because of the sheer volume. My office has  
22 actually tried to do an inspection ourselves recently. And  
23 we have been essentially blocked to do that by the City, the  
24 City Attorney, because we wanted to actually inspect the  
25 goods and services we were paying to a service provider.

1           But the City Attorney said hold on, you actually  
2 have to do a full-blown audit of the entire department and  
3 see that they are not inspecting correctly before you can  
4 inspect it yourself as a City Controller.

5           So I actually tried to do that for a specific time  
6 period. And, you know -- because I understand your  
7 frustration. So I want -- we wanted to do the inspection as  
8 well. But we -- even me as City Controller, I'm getting  
9 fought and -- fought back on by my own -- by my own city.

10           THE COURT: I don't want to get deeply into that  
11 dispute between you and the City. But the City's position,  
12 as I understand it, is that the charter doesn't allow for  
13 the -- I'll check in with you in the City Attorney's office  
14 in just a moment -- that the charter doesn't allow one  
15 elected official to conduct an audit of another elected  
16 official.

17           And yet I understand from your perspective that  
18 you're an independently elected official by the public and  
19 that your position is that you have that authority, and  
20 you're not auditing a public official. You're auditing a  
21 program.

22           MR. MEJIA: Correct, a program that receives  
23 funds --

24           THE COURT: One of the concerns I raised before you  
25 folks got involved with the City Attorney's Office, Matt was



1 here, Szabo, at the time, is the position that had been taken  
2 that the City couldn't be audited. And my concern at the  
3 time was that if a program was then tucked under the umbrella  
4 of the Mayor or the City Council, unrelated to the  
5 controller, take the controller out for a moment, that means  
6 that at any time a program came under that authority of the  
7 City or the Council, if it was read that way, we haven't had  
8 an audit until this case came along, and the Mayor  
9 voluntarily stated that she was willing to have a third-party  
10 audit, which means, if that is true, that we haven't had an  
11 audit historically because the City has been able to claim,  
12 rightfully or wrongfully, we can't audit another public  
13 official.

14 And if that's the case, then there's been no check  
15 on the City, no verification or accountability, for the time  
16 of this charter. And but/for this lawsuit and the Mayor  
17 coming forward and voluntarily agreeing to this third-party  
18 audit, there wouldn't be any audit of this City. You can  
19 make a comment about that. But if that's the case, then this  
20 may be the only audit, depending upon how this conflict sorts  
21 out between the both of you, that we're going to have because  
22 of the peculiarity of this lawsuit.

23 MS. MARIANI: Thank you, Your Honor. I'd like to  
24 distinguish between financial audits and performance audits.  
25 The charter does allow the controller to conduct a financial

1 audit of the Mayor's Office and any programs in the Mayor's  
2 Office. And so that's always been allowed.

3 The only thing the charter prohibits is the  
4 controller, because the controller is an elected politician,  
5 to do a performance audit which is more in the nature of a  
6 policy audit, a review of the policies of another elected  
7 official.

8 And so to reassure you, most of the programs are  
9 actually housed in city departments. And the controller can  
10 do performance audits of the policies of those departments.  
11 So for the most part, the controller can do a financial audit  
12 of the Mayor's Office and a performance audit of all of the  
13 city departments.

14 And this distinction in the charter was very  
15 intentional. There was a lot of discussion by the Charter  
16 Reform Commission about the potential dangers, not with this  
17 controller or any specific controller, but of allowing  
18 elected officials to second-guess, as you were, the policies  
19 of another elected official.

20 We in the City have had City Controllers who have  
21 gone on to run for City Attorney, to Mayor. And so the idea  
22 was to keep performance audits as independent, and beyond  
23 question, there should be no political involvement in a  
24 performance audit.

25 THE COURT: Then does that leave a court or the

1 public in the position that if a Mayor or Council or whoever  
2 states that a program, you know, is under their umbrella,  
3 that no audit can take place by the controller? Does that  
4 leave the Court then in a position that the only audit that  
5 can take place, at least in a broad sense, with some of the  
6 verifications that are needed here, have to occur from a  
7 third-party audit that we're going to pay for outside the  
8 Controller's Office?

9 MS. FLORES: Again, there can be a financial audit  
10 of any program in any elected official's office including the  
11 Mayor's Office. And as is the case here, the Mayor has  
12 voluntarily submitted to an audit, not by an elected  
13 politician like the current City Controller, but by an  
14 independent auditor.

15 And so I think you'll find for the most part, when  
16 requested to submit to an audit, elected officials do so.  
17 We've had instances where the City Attorney, also an elected  
18 office, has agreed to an audit of its own office, a  
19 performance audit. So the charter does allow the elected  
20 official to agree to an audit. It's just that another  
21 elected official can't compel an audit because there could be  
22 some political implications of that.

23 And, again, here, I think we don't need to worry  
24 about whether this is a good aspect of the charter or not.  
25 It was something the voters enacted. And the Mayor has

1 agreed to an audit.

2 THE COURT: I called for an audit three years ago  
3 in a hearing. That fell on deaf ears. Why?

4 MS. FLORES: I'm sorry?

5 THE COURT: I called for an audit three years ago.  
6 I wrote an opinion and asked Eric Garcetti to put a billion  
7 dollars in the bank. Part of that was an audit of the City  
8 at that time and the County. I was reversed on that by the  
9 Circuit. The Circuit is never wrong, by the way. So let me  
10 make a record of that.

11 I called for that three years ago. Why didn't you  
12 conduct an independent audit at that time?

13 MS. FLORES: Again, that was a different  
14 administration, both in the Mayor's Office and the City  
15 Attorney's Office.

16 THE COURT: For me, it's the same problem. It's  
17 homeless and it's public accountability.

18 MS. FLORES: But, again, there could have been an  
19 audit by the then controller of all of the homeless services  
20 in every city department. That is always allowed, a  
21 performance or a financial audit.

22 So I can't speak to why the former City Controller  
23 did not take you up on your suggestion. But here we have a  
24 Mayor willing to submit to an independent audit. And she  
25 should be applauded for that.

1 MR. MEJIA: Your Honor, can I just give a quick  
2 response real quick?

3 THE COURT: Yes.

4 MR. MEJIA: Your Honor, the Chief Deputy City  
5 Attorney talked about the people who wrote the charter reform  
6 in 1999, which is where it gave me the power to conduct  
7 performance audits. We disagree with her reading of what the  
8 intent was by the charter reformers who were on the  
9 commission. Actually, we have a letter from the chair of the  
10 Charter Reform Commission at the time who said that the City  
11 Controller can be empowered to do audits of all city  
12 programs.

13 And that's why in our charter section, it doesn't  
14 say -- it doesn't say, you know, offices in the -- he meant  
15 to say all programs, even those housed under elected  
16 officials.

17 And just to give you a sense of financial  
18 materiality and why it is important now is because a lot of  
19 the homelessness programs currently today, hundreds of  
20 millions of dollars are being housed under the Mayor's  
21 Office. Right? And hundreds of million of dollars are being  
22 housed under the Housing Department.

23 So before, you know, there probably wasn't that  
24 much in the Mayor's -- under her umbrella. But now there  
25 are.

1 THE COURT: I see.

2 MR. MEJIA: And so, you know, I just wanted to  
3 mention that. We have this -- we will have this disagreement  
4 that we can audit city programs as well underneath elected  
5 officials.

6 THE COURT: Could you put up this letter for just a  
7 second?

8 I'm more -- you two will sort that out between you  
9 and the Mayor, hopefully for the public good.

10 MR. MEJIA: Right.

11 THE COURT: I don't want to go any further with  
12 that disagreement between the two of you. I'm really asking  
13 about the process.

14 And I want to put up a letter from LAHD. It  
15 doesn't have a date on it. But it does refer -- and if  
16 you -- you have a monitor there. Is it on for you?

17 MR. MEJIA: Now it is.

18 THE COURT: Now it is. Do you folks have this up  
19 on the monitor?

20 MS. FLORES: Yes.

21 THE COURT: When was this letter created?

22 Matt, come on up for a second. You may know. When  
23 was this letter created?

24 MR. SZABO: My understanding, that letter was  
25 created and posted concurrent with the initial set of

1 documents that were posted to the City's website.

2 THE COURT: Would that be 6 o'clock last night?

3 MR. SZABO: No, no, no. That -- and I just can't  
4 remember, Your Honor, when we initially posted.

5 THE COURT: Approximately.

6 MR. SZABO: It was the first -- at the last hearing  
7 when you asked us to post within a week, the first round.  
8 That was posted with the first round.

9 THE COURT: All right. Thank you.

10 Someone, before you write the check, must or may  
11 determine that the invoice being submitted to you is  
12 accurate?

13 MR. MEJIA: Correct.

14 THE COURT: Now, what I'm in search of is that  
15 central authority, that person. So far you've told me that  
16 you don't do the verification. Who does?

17 MR. MEJIA: It would be the department that is  
18 contracted who are related to those invoices being submitted.  
19 So if it were the Housing Department, it would be the Housing  
20 Department. If it were under the Mayor's program, it would  
21 be the Mayor or the CAO or some other --

22 THE COURT: Could I borrow you for just a moment?  
23 Would you turn to page 2 for just a moment. And let's take  
24 Inside Safe. Turn to this page. Inside Safe. All right.  
25 It should be right here.

1           So for Inside Safe, in the second bullet point, "In  
2 addition, LAHSA provides the following documents which are  
3 reviewed by the CAO."

4           Does the CAO validate these documents?

5           MR. MEJIA: Based on my understanding for Inside  
6 Safe, when they do receive invoices for service providers, we  
7 would rely on the CAO to make those verifications.

8           THE COURT: Would you go to the LAHSA request  
9 submissions to the City Alliance and Road Mapping. Go to the  
10 bullet points below that.

11           Who verifies the checks that you write on the L.A.  
12 Alliance settlement or Road Map agreement? Who attests to  
13 their accuracy?

14           MR. MEJIA: Based on what I'm reading here, where  
15 it comes to -- this doesn't look like an Inside Safe program.  
16 It looks like your standard LAHSA service provider invoices.  
17 It would be the Housing Department who would have to do the  
18 verification of goods and services before payment.

19           THE COURT: Okay. All right. Turn to the first  
20 page, would you, for just a moment. Go down to the bottom  
21 paragraph if you would be so kind.

22           I want to read to you. It says, "Contracts follow  
23 a cost reimbursement model which means the service providers  
24 must perform work first and then invoice LAHSA for  
25 reimbursement of program expenses they have incurred."



1 I'm assuming that you have nothing to do with that  
2 process?

3 MR. MEJIA: No. But this is familiar -- what I'm  
4 familiar with.

5 THE COURT: Turn to page 2, would you. Go to the  
6 second paragraph under LAHSA invoicing requirements.

7 "Payments from LAHSA to contracted service  
8 providers are contingent upon receipt of required  
9 documentation as noted below." Then we have a number of  
10 bullet points below. Do you see that?

11 MR. MEJIA: Where are you?

12 THE COURT: I want you to go to LAHSA invoice  
13 requirements for service providers. That's the topic  
14 heading. Go down to the second paragraph where it says,  
15 "Payments from LAHSA to contracted service providers are  
16 contingent upon receipt of required documentation." Do you  
17 see that?

18 MR. MEJIA: Yes, I see that now.

19 THE COURT: Now, do you have anything to do with  
20 this required documentation?

21 MR. MEJIA: Our policy, which the controller gives  
22 to the entire department, it is our understanding -- so they  
23 follow our instructions. And our instructions basically says  
24 you have -- what this says here. They have to provide and  
25 they have to -- the departments we give that power to to make

1 sure that they check that the invoices, the services were  
2 provided, and that the goods were received.

3 So that is how we're involved but not at the actual  
4 detail level. That's the departments. We set the entire  
5 framework, and we give that to the departments to follow.

6 THE COURT: I'm going to try to summarize that.  
7 This is what I've absorbed. That you don't do any  
8 verification?

9 MR. MEJIA: For these specifically, no. And that's  
10 why I reiterated, when I -- I actually -- my office tried to  
11 do that for a service provider at that detailed level because  
12 it's my authority. I got basically fought by the City  
13 Attorney to do that.

14 THE COURT: Go back to page 3, would you, Inside  
15 Safe. We're going to go back to Page 3 under on the topic  
16 Inside Safe Program, the second bullet point.

17 It states: "In addition, LAHSA provides the  
18 following documents which are reviewed by CAO." And the  
19 first bullet point is, "Service provider invoices." The  
20 second is "Service provider general ledger report and trial  
21 balance." The third is "Service provider profit and loss  
22 statement."

23 Do you know -- and I'll ask Matt Szabo in a few  
24 moments if he's kind enough to respond. Does the CAO get all  
25 of these three categories from the service providers or do

1 you get all of these three categories from the service  
2 providers when you write a check? That's a dual question.  
3 My apologies. Do you get --

4 MR. MEJIA: My office does not get this level of  
5 detail.

6 THE COURT: You don't get that level of detail.

7 MR. MEJIA: Right. We rely on in this case the CAO  
8 to do the actual work in checking.

9 THE COURT: It would be the CAO?

10 MR. MEJIA: For Inside Safe, the CAO or the Mayor's  
11 Office.

12 THE COURT: What about for the settlement of the  
13 Road Map and Alliance agreement?

14 MR. MEJIA: For those ones which are non-mayoral  
15 programs or your typical service providers, that would be --  
16 my understanding would be the contracting department, and  
17 most of it is usually in the Housing Department.

18 THE COURT: It was called to my attention by my  
19 special master that there -- some type of statement by you  
20 that you would be involved in some way in enhancing the  
21 website. And let me explain that to you.

22 I expect the audit to go backwards from a certain  
23 period of time, let's say from April, May, June. But it's a  
24 backwards-looking audit. And whatever that finds is  
25 valuable, but I am more concerned without finger pointing

1 that we up the accuracy from this point forward and the  
2 transparency going forward.

3 So the idea was to create a website, which the  
4 Mayor has consented to, because going forward the public  
5 should see what the invoice is and what work was performed or  
6 we don't have the records.

7 And if we don't have the records, I'd just as soon  
8 hear that and move on. But if we do have the records, then  
9 I'd like to make certain that there's transparency so that  
10 everybody can make a decision whether this is data-driven or  
11 not. There can be input to enhance this. And we up, if you  
12 will, our level of professionalism in reporting to the  
13 public. Got that?

14 MR. MEJIA: Yes, Your Honor.

15 THE COURT: You understand that?

16 MR. MEJIA: Yes.

17 THE COURT: How can you help me, if at all, with  
18 this website going forward?

19 MR. MEJIA: Your Honor, if you order the City  
20 family, the Mayor, the CAO, the City Attorney --

21 THE COURT: I'm going to be told I don't have that  
22 authority. So you tell me how voluntarily you're going to  
23 help me.

24 MR. MEJIA: Let me just give you a quick ten-second  
25 story. When I started, I actually tried meeting with -- I

1 met with the CAO and the Mayor's Office. And I tried to say  
2 I want to provide more transparency and create a transparency  
3 website on Inside Safe because it is --

4 THE COURT: Just a moment. I know you and the  
5 Mayor haven't --

6 MR. MEJIA: Right. Right. Right.

7 THE COURT: I'm going to cut you off for a moment.

8 MR. MEJIA: Right.

9 THE COURT: She's not here.

10 MR. MEJIA: But --

11 THE COURT: Hold on.

12 MR. MEJIA: But yes, I can --

13 THE COURT: You're an independently elected  
14 official. You're called a Controller. The public elects  
15 you.

16 MR. MEJIA: Right.

17 THE COURT: Can you be of any help to the public or  
18 the Court, or do I turn to the City? In other words, who do  
19 I turn to to make certain that we -- and I'm adamant about  
20 this -- going forward, we up, instead of finger-pointing  
21 going backwards --

22 MR. MEJIA: Right.

23 THE COURT: -- and we see what is being paid for on  
24 those invoices and our providers get the message, and if they  
25 haven't done it, they start doing it. Because what I'm

1       afraid of is this lawsuit may be the only one-off --

2               MR. MEJIA: Right.

3               THE COURT: -- thing about how you and the Mayor  
4 work out your differences --

5               MR. MEJIA: Yeah.

6               THE COURT: -- where we have an independent  
7 third-party audit and we go another 10 or 15 years without  
8 any examination of the City.

9               MR. MEJIA: My office can create this website and  
10 of the quality you need for this transparency website, which  
11 will -- you want the --

12              THE COURT: Let's assume that the City is creating  
13 this website --

14              Matt, come on up a second so it's co-equal.

15              And let's assume that last night they posted at  
16 6:00 p.m.

17              Thank you, Matt. 6:00 p.m.? Just joking.

18              MR. SZABO: Well --

19              THE COURT: Just joking. No problem. I read it  
20 until midnight.

21              They already have a website up. Are we cooperative  
22 enough between these two entities, regardless of the, you  
23 know, political issues you might have in terms of your  
24 authority or non-authority, is there a cooperative level in  
25 some point on the public's behalf that you could be of aid to

1 the City? And, if so, in what way?

2 MR. MEJIA: I have the -- my team is specialized in  
3 technology. So we can actually create the interface and the  
4 surface. And that is actually what our office is known for  
5 out of all the city departments is we can create the  
6 technology. And also, we have the -- the invoices too. Do  
7 we have it at the detailed level that you want? As I said,  
8 no, because, like I said, the example of the LAHSA invoices,  
9 they bill us for tens of millions of dollars for tens of  
10 service providers, but we don't get at that specific service  
11 provider level.

12 That's where I would need your help and the City's  
13 help to actually get those actual service provider details.  
14 But I could create the tech, and I can do pretty much  
15 everything you want on this if I have the City's cooperation.

16 THE COURT: Let's assume that you're correct  
17 hypothetically, and I'm not saying you are, that you have the  
18 independent ability to audit Inside Safe. What I would hate  
19 to see is the independent auditor that the control -- that  
20 the Mayor has consented to getting information that you don't  
21 get if you have that authority, or if you have that authority  
22 and you're conducting an audit in the future that that  
23 information is not fed back to the independent third-party  
24 auditor.

25 In other words, if you prevail in this, we could

1 have two audits going, one through the third-party auditor  
2 that Mayor Bass consents to and one through the Controller's  
3 office which might be a great check against each other.

4 How would we get cooperation between the  
5 interchange of that information that you might have access to  
6 that the third-party auditors are seeking or that the  
7 third-party auditor develops so we don't have duplication if  
8 you're correct in your position that you can audit?

9 MR. MEJIA: Just to talk about our audit, you know,  
10 our audit is more detailed in scope.

11 THE COURT: Stop. That's not what I asked.

12 MR. MEJIA: Right.

13 THE COURT: I'm trying to make certain that if you  
14 are correct -- and I have no idea. It's not before me.

15 MR. MEJIA: Right.

16 THE COURT: But what I don't get are two different  
17 audits that reach, you know, somewhat different numbers  
18 because the information isn't uniform, that you get a  
19 portion, and the City doesn't or the City gets a portion and  
20 you don't.

21 And if you are correct -- and I'm not saying you  
22 are. I don't know who is correct, nor do I care right now.  
23 But I do care, if you are correct, that we don't get two  
24 different or so -- different audits based upon information  
25 that isn't being shared. It's called cooperation or lack



1       thereof.

2               MR. MEJIA: Right.

3               THE COURT: How are we going to work that out?

4               MR. MEJIA: I mean, I understand, Your Honor. The  
5 work that we carry out --

6               THE COURT: Hold on. How are we going to work that  
7 out? Let's assume that you're right. He has no authority,  
8 end of discussion. But let's assume that he does, then how  
9 do we stop this duplication or two audits that are  
10 dissimilar, not because there's lack of competency, but  
11 because there's a lack of information that is uniformly given  
12 to both? How do we work that out? How do we get past the  
13 politics of this?

14              MR. SZABO: So, Your Honor, I would suggest that  
15 there are two separate issues. As it relates to the trans --  
16 there's the audit function, the audit that we've been  
17 discussing in this courtroom for several months, and then  
18 there's the transparency piece, which you have instructed the  
19 City to post and make publicly available documents related to  
20 Inside Safe, the Road Map, and the Alliance agreement. I can  
21 speak to the latter. And I would be very happy to work with  
22 the Controller's office and --

23              THE COURT: Would you be happy to work with the  
24 Mayor's Office?

25              MR. MEJIA: Oh, yes. And we have been trying,

1       yeah.

2                   THE COURT:   Everybody is happy.   We're all going to  
3       work together; right?

4                   MR. SZABO:   I would be very happy to work with the  
5       Controller's Office on the transparency website, absolutely.

6                   THE COURT:   I hear that clearly.   Transparency but  
7       no further?

8                   MR. SZABO:   That is correct, Your Honor.

9                   THE COURT:   And your end of the performance at this  
10      point?

11                  MR. PEREZ:   With regards to the audits, our office  
12      is transparent --

13                  THE COURT:   You are --

14                  MR. PEREZ:   Sergio Perez, chief of accountability  
15      and oversight for the Controller's Office.   As part of my  
16      work, I help the Controller manage our audits and reviews.  
17      And we can commit to the fact that the information that is  
18      and will inform our performance audit of Inside Safe will be  
19      transparent.   And we are eager to share it with the  
20      third-party auditors.

21                  We would also work with those folks to settle a  
22      mutual understanding and agreement that would allow for the  
23      exchange of information.   The controller is someone who  
24      practices what he preaches on that front.   We're not barred  
25      by law.   And there wouldn't be much here that would be

1 confidential. We are open to disclosing and sharing. And we  
2 would expect that from the independent auditor.

3 THE COURT: How soon do you and the Mayor's Office  
4 resolve this issue? Is it going to be through a court  
5 process? Is it going to be through some mediation? Because  
6 as I move forward with that third-party audit, it could be  
7 extraordinarily wasteful if you do have that authority that  
8 now we're back again waiting for a Controller audit, and  
9 we're going through the same people, the same invoices,  
10 wasteful for taxpayers.

11 How do we work that out, or do we? In other words,  
12 I'm not summoning the Mayor. You're kind enough to be here.  
13 She's been here before. Is there any level of cooperation  
14 here, or do we just wait for the politics to take over?

15 MS. FLORES: Your Honor, I think the Mayor's Office  
16 would like an independent audit and believes that that's the  
17 best way to achieve transparency. So the Mayor is very much  
18 looking forward to having the third-party independent auditor  
19 deliver a report that will be transparent and cover all of  
20 the issues that an audit should cover.

21 THE COURT: What happens -- first of all, if the  
22 Mayor's position and the City's position is that he doesn't  
23 have authority, this is not an issue. But if he -- if the  
24 Controller does have authority in the long run, then I'm  
25 concerned about the same information getting to both parties.

1           And his position is going to be what is the harm in  
2 a second audit to check the first audit? Now, I'm hearing  
3 some politics involved in this. But what I'm looking for is  
4 if this issue is going to be resolved or not. And if it is,  
5 then I'd like all of you folks to get together and try to  
6 resolve it now. And if that's an impossibility because of  
7 the politics involved, so be it, because we're going ahead  
8 with the third-party audit. And your position may be, Judge,  
9 that's all we want. We don't want to go any further on the  
10 performance audit with the Controller's Office.

11           But if he is right and he does have that  
12 independent authority, he's going to be coming right back a  
13 couple months after that independent audit, and I just want  
14 to make sure that information is out there co-equally shared  
15 with whatever access you've got and whatever access you've  
16 got --

17           MS. FLORES: Your Honor, the website will do just  
18 that. The website will have all of the detailed  
19 documentation, invoices, backup, and so that will be open to  
20 everyone, the Controller's Office, the public. So your  
21 concern about sharing of information will be taken care of by  
22 the website.

23           MR. PEREZ: Your Honor, what we've seen in the past  
24 is invoices that are redacted that don't include crucial  
25 necessary information to be able to track and assess

1 outcomes. We understand why that may be necessary when it  
2 comes to a public website.

3 THE COURT: By the way, we've had a hearing on  
4 this. And I'll validate a portion of that. And that is back  
5 in 2021 or '22 when we had this and were able to show that --  
6 on a large amount of money, let's say, was flowing through  
7 the City at that time with a one-line incorrect date on an  
8 invoice, no substantiating document, that's where all this  
9 started. That's what you're hearing now two or three years  
10 later.

11 MR. PEREZ: And so we're looking for the kind of  
12 access that goes beyond what has been promised and often not  
13 delivered, which is full transparency on financial documents.  
14 You also heard the City Attorney previously say on the record  
15 that this Controller's Office has unfettered authority to  
16 conduct a financial audit. So why aren't those documents  
17 being made transparent to the Controller's Office?

18 I think we are eager to reach a collaborative  
19 commitment to ensure that the information exchange that you  
20 have described is something that both the Court and the City  
21 of Los Angeles and its residents benefit from.

22 And again, the Controller's posture is that we are  
23 fully transparent in the work that we do.

24 THE COURT: I'm going to leave this subject because  
25 I'm primarily here for the process. What I'm understanding

1 is this passes to the CAO in terms of at least validation or  
2 verification.

3 MR. PEREZ: For Inside Safe, for the mayoral  
4 programs.

5 THE COURT: Just a moment. Michele, can I speak to  
6 you for a moment?

7 I didn't mean to turn my back. I'll be right with  
8 you.

9 MR. MEJIA: Of course.

10 THE COURT: I'm not going to belabor this. I'm  
11 just going to encourage, on the public's behalf, cooperation.  
12 I'll leave that politics to each of you. I don't want to get  
13 into that at all between you and the Mayor or the city  
14 charter whether you have power or not. But if you can reach  
15 an accomodation, it would be for the public good. I'll just  
16 leave it at that.

17 Sir, thank you very much. I may call upon you  
18 again. But we'll always request. We won't order. Okay?

19 MR. MEJIA: Thank you, Your Honor.

20 THE COURT: Thank you.

21 MR. MEJIA: Your Honor, we're willing to make that  
22 technological website if you are.

23 THE COURT: So now let's take the website for just  
24 a moment, Matt. Before I do that, are you the decision-maker  
25 in terms of these invoices being submitted to the Controller

1 who writes the check?

2 MR. SZABO: So as the Controller correctly stated,  
3 the CAO plays an important role as it relates to Inside Safe.  
4 We do review the invoices. We work with LAHSA to reconcile  
5 and to ensure that they're appropriate and they're actually  
6 charging for services that were delivered. We do that work  
7 before we submit the request for the Controller to make the  
8 payment for Inside Safe. And that information is -- and  
9 we've provided the backup information on the website.

10 We do not do the -- the CAO does not do that for  
11 the Alliance and for the Road Map programs. Those programs  
12 are with the Housing Department. It goes back and forth  
13 between Housing and LAHSA, and Housing does that work.

14 THE COURT: So the LAHD Housing Department document  
15 that I put up, this is certainly applicable to the Road Map  
16 and the L.A. Alliance agreement. In fact, it sublists those  
17 on this document.

18 MR. SZABO: Correct.

19 MS. FLORES: Your Honor, may I make one  
20 clarification?

21 THE COURT: Certainly.

22 MS. FLORES: The reason why different invoices go  
23 to different parts of the city for verification is because of  
24 Charter Section 262-B, which mandates that the Controller  
25 allow the awarding authority, the department or the office

1 with the expertise, to verify that the invoices are correct  
2 and supported. And so that's why that process happens. And  
3 that's why different offices review different invoices.

4 THE COURT: Well, first, I'm going to repeat my  
5 concern because it's the first time you're hearing -- you  
6 haven't heard me say it ten times yet. I'm worried that the  
7 City either intentionally or unintentionally is able to put a  
8 program under the umbrella of an elected official, the Mayor  
9 or whomever, and not have accountability in terms of somebody  
10 watching and verifying.

11 And I'm concerned that the only thing that has  
12 gotten us an audit has been this L.A. Alliance case where the  
13 Mayor graciously came in and volunteered, and a real  
14 compliment to her, and thank goodness, before the State came  
15 out with a statement, she got ahead of the game, that she  
16 would undertake an independent third-party audit. I think  
17 she actually got a rousing round of applause in the court,  
18 which is unheard of in federal court. I've never seen it  
19 before.

20 But I'm worried that without this litigation  
21 causing that third-party audit that we go back to a city that  
22 is able to take a program with billions of dollars involved  
23 like homelessness and claim that they are not subject to an  
24 audit or to scrutiny, and that seems, regardless of what you  
25 say, to have happened for decades now.



1           Now, you can make any comment that you'd like. But  
2 I'm very fearful that without this litigation we wouldn't be  
3 in a third-party independent audit. And the person under  
4 scrutiny is controlling that audit.

5           By the way, that's why you saw me push back on that  
6 2.2 million. Let's get that on the table. If I need more  
7 money, you're going to supply it. I want to be very clear  
8 about that. You will not limit this Court by -- I'm not  
9 accusing you of this -- slow walking information or confining  
10 that third-party audit as long as the costs are within  
11 reason.

12           And we knew going into this that that auditor had a  
13 2.8 to \$4.2 million. Everybody here heard that. And then I  
14 got back from the City Council a \$2.2 million off-the-wall  
15 amount, which I see as nothing but attempting to limit this  
16 Court. And I won't stand for that. Am I clear?

17           MS. FLORES: I -- I understand.

18           THE COURT: Am I perfectly clear?

19           MS. FLORES: I understand what you're saying.

20           THE COURT: You may try to limit other people.  
21 Don't try to limit the Court.

22           So I will come to you with all of the parties if  
23 that's needed, but I'm not tied to that 2.2. And that's why  
24 I insisted on rewriting that. By the way, the Mayor was in  
25 agreement with that. We all were. Paul was in agreement

1 with that. It will be reasonable. You're not going to get a  
2 big bill run-up. But there better not be any slow walking in  
3 terms of documents because the cost goes up. And I'm going  
4 to put you on notice now because I'm getting stuff at  
5 6 o'clock last evening.

6 So, Matt, why did I get finally some documents at  
7 6 o'clock last evening? What was happening in this couple  
8 months in between?

9 MR. SZABO: So, your Honor, as it relates to  
10 getting documents at 6 o'clock, I think the team that has  
11 been working to provide or to upload the documents onto the  
12 website, they -- there is a tremendous amount of work related  
13 to making the documents available --

14 THE COURT: I compliment you.

15 MR. SZABO: -- ready to be posted. The team has  
16 been working to ensure that the documents are ADA compliant,  
17 that they're able to be read by screen readers. There's  
18 remediation of that documents that needed to be take place.

19 Also in the detailed documents that we did provide  
20 that we have uploaded for Inside Safe, I think there are two  
21 documents. One was 69 pages. One was 123 pages. And our  
22 team, which is not very big, had to go through page by page  
23 and make sure that any personal identifiable information was  
24 redacted. So that just took some time. Obviously the office  
25 has a lot of responsibilities. And we wanted to get as much

1 information on the website before this hearing.

2 So much of the work happened before 6:00 p.m. last  
3 night. It was those last two documents that we uploaded once  
4 the redaction process was complete.

5 THE COURT: Yesterday the director of LAHSA, who is  
6 present, testified to the homeless committee that \$80 million  
7 had been received, and approximately \$20 million of checks  
8 had been provided or written to the providers. Now, I've got  
9 to listen to that tape again.

10 Yet on the website, there are two documents filed  
11 of 5 point something -- and I'll pull it up in a moment --  
12 million. And it doesn't give any explanation for it.

13 So I'm going to read this to you because -- if, in  
14 fact, we don't have the documentation, Matt, just tell me.  
15 Okay?

16 MR. SZABO: Sure.

17 THE COURT: But if we do have the documentation --  
18 So, Wil, come on up for a moment. I want to read  
19 this to you for just a moment.

20 So last evening there are two new Alliance  
21 settlement program invoices that are for \$633,109 and  
22 \$616,180, respectively. Are you aware of those, Matt? I can  
23 pull them up, if you want, off your website.

24 MR. SZABO: If you could pull them up, Your Honor,  
25 that would be helpful. I'll try to follow along.

1 THE COURT: Yeah, I don't expect you to know --

2 MR. SZABO: Sure.

3 THE COURT: That's not fair to you. So let me get  
4 them up.

5 MR. SZABO: Thank you.

6 THE COURT: The invoices are reimbursements to  
7 Highland Gardens. Although it's unclear from the invoices  
8 themselves, Highland Gardens is a hotel located a couple  
9 blocks from the Hollywood Walk of Fame in Council District 4  
10 that use -- that the City uses for interim housing. And the  
11 hotel occupancy is for up to 143 beds if each room has two  
12 occupants.

13 You got that up? Yeah. You can scroll through as  
14 we go so he can see the documentation.

15 According to the invoices, the City paid \$372,191  
16 for leasing and \$260,918 for operations for the month of  
17 January 2024. For March, the City paid \$120,092 for leasing  
18 and \$496,088 for operations. The City did not post any  
19 invoices for Highland Gardens for the month of February. You  
20 can start verifying that. Check that if you'd like to.

21 Between January 1, 2024 and March 31, 2024,  
22 Highland Gardens served 129 unique clients. It's unclear how  
23 long the average person stays at Highland Gardens making it  
24 impossible for the Court to determine the nightly cost of  
25 housing for an individual. When I say "the Court," I don't

1 know how the public determines that yet.

2 In the three months between January and March, a  
3 total of 21 people left Highland Gardens. 15 of the 21  
4 exited to unsheltered homelessness. Five exited to a  
5 criminal institution. One found permanent housing.

6 Are these the -- and I don't mean to de-minimize  
7 this -- the only documents we have? Are there any other  
8 supporting documents that the public and the Court doesn't  
9 have access to?

10 MR. SZABO: Those are the documents that we have.

11 THE COURT: Fair. Okay.

12 On the freeway agreement settlement last evening,  
13 the City posted. And the only invoice that the City had  
14 submitted for the freeway agreement were submitted concerning  
15 the La Cienega Safe Parking lot. And that parking program  
16 allows people to safely park in secure overnight parking  
17 lots.

18 The lot also allegedly provides limited services  
19 such as restrooms and running water as well as supportive  
20 services to facilitate pathways for health and housing. The  
21 La Cienega lot has a total of 50 spaces now.

22 The City has submitted monthly invoices from this  
23 parking lot -- why don't we pull that up for a moment -- from  
24 October 2023 to April 2024. The City pays between \$69,196 to  
25 \$83,714 per month to operate this lot. In April 2024, the

1 parking lot served 30 unique clients in 25 different cars.  
2 The average length of stay is 46 days.

3 It's unclear to the Court the number of cars in the  
4 parking lot each night. And there's been some investigative  
5 reporting. I think it was -- was it -- West Side Current --  
6 West Side. It's hearsay. But investigative reporting that  
7 they did spot checks. And they found anywhere from 0 to 14  
8 cars using the lot at any one time.

9 The LAWA Board of Airport Commissioners has  
10 reported that since the lot opened on June 1st of 2023,  
11 overnight participant usage rates have ranged between three  
12 to 22 vehicles, okay, that range.

13 Assuming three vehicles, Matt, used in the lot  
14 every night in April, the cost per person per night would be  
15 \$863. Assuming 22 vehicles, the upper end of that, then the  
16 lot used every night in April would be \$117.

17 Michele, may I borrow you for just a moment? Just  
18 one moment.

19 Last evening at the board, I believe, Dr. Kellum,  
20 you testified that the base rate was \$112 at the homeless  
21 committee. Now, that didn't include -- that included  
22 security, food, you testified, about 112.

23 DR. ADAMS KELLUM: Could you repeat that?

24 THE COURT: Yeah. Last evening, listening to the  
25 homeless -- I can play it back for you -- you testified that

1 the basic cost for interim housing was \$112. That  
2 included -- it may have been you, but you were both there.  
3 Would that include things like security and it included some  
4 food.

5 But what I'm trying to get without a long-winded  
6 discussion is just the basic. And here's why. Listen for a  
7 moment.

8 So assuming at 22 nights, a vehicle was used every  
9 night. The cost per person would be \$117, Matt. If I took  
10 an average of 12.5 vehicles used in the lot every night in  
11 April, the median cost is \$207. Now, you're the City. I  
12 don't make those decisions. But that's the kind of data you  
13 need to decide the benefit.

14 And now let's look at the figures for a moment. I  
15 want to look at staff salaries and go across the top of the  
16 line. And let's just take April at 21,000 or March at  
17 29,000. I don't know if that staff salary is a person or  
18 persons who are supervising let's say three or four Safe  
19 Parking lots or one.

20 And I want you to look at security at 18,000 to  
21 23,000, which is an absolute necessity. I don't know the  
22 cost per hour. And so when I look at those two figures, the  
23 argument could be made that we've got fairly high  
24 administrative costs. Okay?

25 I'm not the decision-maker, you are, how the money

1 is spent. But this is exactly the data-driven commitment  
2 that the Mayor has entered into, and I think would be  
3 helpful. We've had these discussions. And, in fact, we had  
4 a discussion as of last evening. And I informed you both of  
5 that, a very good discussion.

6 Do you have any more information about these  
7 summary sheets that you've submitted to me? And that's not  
8 fair to you, Matt. You may not know. They may have gone up.

9 MR. SZABO: As it relates to the Safe Parking site  
10 that you're referencing, these are the -- this is the  
11 documentation that we have. Now -

12 THE COURT: Is this it?

13 MR. SZABO: This is it. And --

14 THE COURT: This is what our providers provided to  
15 us?

16 MR. SZABO: That is correct, yes. And you are  
17 correct, Your Honor. We pay on an a per-space basis. So if  
18 the utilization is down, the cost per actual person served is  
19 up. That is correct.

20 THE COURT: That's not a criticism. But  
21 eventually, if we get to data-driven decisions, you'll be  
22 able to wisely decide as we get more information. So instead  
23 of going backwards and finding blame, let's make sure that we  
24 go forward and make the system better. Let's up the game in  
25 terms of accountability.



1           Now Inside Safe Parking invoices last evening,  
2           there are two Inside Safe programs. And there's the number  
3           of \$5,478,082 you submitted to me and \$9,751,307. The first  
4           invoice claims that the entire 5.4 million was used for  
5           shelter and housing interventions. But it's not apparent  
6           from the website how many people were provided housing or  
7           shelter and/or the way that these interventions were  
8           conducted.

9           And without this information, it's almost  
10          impossible for the public or the Court to know whether the  
11          5.4 million in taxpayer funds were effective. And that's  
12          what the Mayor drove at on the Larry Mantle show, and that is  
13          getting not just numbers but an outcome to satisfactory.

14          And the second invoice, Matt, was for \$9.7 million  
15          and two categories, 8.1 -- 8.8 million in shelter and housing  
16          interventions plus 409,000 in salaries, which is 4 percent;  
17          270,000 in benefits, 2.7 percent; 90,000 in professional  
18          services; 90,000 in depreciation; 90,000 in office expenses.  
19          And the money was given to several different service  
20          providers, including Path, Hopkins, and the people concerned.

21          But it is not apparent whether those services were  
22          successful in housing people or the methods those agencies  
23          used. Who is verifying this?

24                 MR. SZABO: Sorry?

25                 THE COURT: Who is verifying this?

1 MR. SZABO: So the CAO is verifying this. And I  
2 will say, as it relates to Inside Safe, that is why we  
3 separately issue monthly, lengthy, and detailed reports on  
4 the program. And that report includes a dashboard with all  
5 of the information that you just -- that you just said that  
6 the invoices don't have.

7 Part of the reason that we're posting those, of  
8 course, is that the public shouldn't have to dig through an  
9 invoice. They should be able to see the information  
10 presented and verified in an easily consumable way, which we  
11 do with our HEA reports, which our partners at LAHSA help us  
12 with the dashboards, so they can verify every dollar that's  
13 being spent on Inside Safe and the outcomes that that dollar  
14 is achieving.

15 So that's -- that's why we -- on the Inside Safe  
16 page you see all of those first HEA reports. That is where  
17 all that information is compiled. Our office does a  
18 significant amount of analysis on it working with the Mayor's  
19 Office and LAHSA. And we on a monthly basis respond to the  
20 Council. And it is probably the most scrutinized  
21 homelessness program anywhere in the City currently. And we  
22 continually add information as requested by the City Council,  
23 add additional data as well.

24 So that's where you'll find all of that  
25 information, Judge.

1 THE COURT: The Mayor made the statements -- and  
2 with full disclosure, I'll share a part of that conversation  
3 because it's a good conversation. And that is that the  
4 statement was made when asked concerning, "So you've got this  
5 hearing next Thursday. It's before Judge Carter again.  
6 What's the City going to go back to him to present in the way  
7 of documentation?"

8 The Mayor responded: "Well, actually, I'm not  
9 positive about that. I'm sure what we will present will be  
10 much better than what we have received. But in the rush to  
11 respond to him, data was put up, and that clearly needs to be  
12 refined."

13 Later on the statement was made, "But, Larry, I  
14 have to say that the system was never designed based on  
15 outcome measures. It was designed based on process." And  
16 that's something that the Court started to feel also, that  
17 this was driven by providers in good faith to get paid. But  
18 quite frankly, when the -- when this initially occurred, we  
19 didn't have milestones. We didn't have outcome-driven  
20 processes. And here the Mayor seems to be coming back and  
21 really trying to change that.

22 And what -- and the statement is, "We're trying  
23 to -- what was the progress six months, eight months down the  
24 line. So that is stuff that we're trying to correct now, but  
25 it has not been corrected. And by the way, the system that

1 the state was talking about was statewide, and they were  
2 talking about from years ago. So the stuff has gone on for  
3 years, and it needs to be fundamentally transformed.

4 So you were just talking about outcomes, which we  
5 understand perhaps need more infrastructure to be able to  
6 track down. But what Judge Carter is concerned about sounds  
7 like it is more basic. It's what are the details in the  
8 invoices or how this money was spent just to document that  
9 it's actually going to services. How was it spent? Food?  
10 Was it spent for food services? Saying that there's not  
11 infrastructure to track? Exactly.

12 And the statement that was of concern was this:  
13 The answer is, Sure. Let me say that we all know the overall  
14 system in every aspect has been broken for many, many years.  
15 And you know, Larry, that I choose to act to get people off  
16 the street as fast as possible and correct the broken system.  
17 So there's not an attempt to hide anything, but it is taking  
18 the City a while to develop the invoices that they can put on  
19 -- you know, that they can publish so that they are  
20 understandable.

21 I was concerned that there was any potential  
22 alteration through any miscommunication and that these bills  
23 were being paid so that we knew what was behind this payment  
24 at the time that they were being paid, not what we then added  
25 onto or tried to make clear.

1           So if we just had an invoice from a certain  
2 organization with, by the way, no date or even the incorrect  
3 date and no documentation, we ought to know that. We lost  
4 that money. Let's move on.

5           I'll disclose to all of you that the Mayor has  
6 assured me that this is not occurring; that these are not  
7 being altered or let's say put out for public consumption in  
8 a better form; that we have the raw data; and even if the  
9 system was failing because of lack of documentation, that  
10 money is gone.

11           What I want to make certain is we don't get into an  
12 issue in the future where the Mayor in good faith is talking  
13 to the Court, but our bureaucracy isn't getting the message,  
14 and the Mayor is now head to head with the federal court.

15           What are you doing, if anything, concerning making  
16 this more clear to the public and what are you as the CAO and  
17 the -- I'm going to say the bureaucracy doing to allegedly  
18 make this more understandable? And is there any alteration  
19 going on? Because what I'm concerned about, and Judge Fisher  
20 is also -- or has been a little concerned with the City  
21 lately in her lawsuit. So you don't want two federal judges  
22 saying the same thing.

23           MR. SZABO: Let me respond to that just  
24 categorically. Outside of obviously the redaction of  
25 personal information, there's no alteration at all for -- on

1 anything that we're posting other -- again, other than --

2 THE COURT: It's clear to your staff also?

3 MR. SZABO: It's absolutely clear to those who work  
4 in the CAO's office. Other than --

5 THE COURT: If there's a problem then, we know that  
6 we've had this conversation, correct?

7 MR. SZABO: Yes. There's -- Judge, this is not the  
8 issue. We're -- we're providing the information that is  
9 requested by the Court in the best form that we can. In some  
10 cases, we need to redact personal information. In some  
11 cases, we turn an Excel sheet into a PDF. Okay?

12 THE COURT: Sure.

13 MR. SZABO: That's not alteration. But that's --  
14 we do some of that sort of thing to get it out there.

15 But I will say -- and I just want to make this  
16 point. And it does relate to the conversation that we had  
17 with the Controller and having the program in the Mayor's  
18 Office, there is a -- an inherent conflict between the  
19 perfection of the transparency of every dollar that we're  
20 spending and the speed with which we're able to spend it.

21 And the reason that -- and you've heard this  
22 directly from the Mayor of the City, the reason that the  
23 program is in the Mayor's Office, it is typically -- it is  
24 not unusual that new programs could be incubated within the  
25 Mayor's Office for the purposes of being able to provide that

1 speed to get the services out.

2 And so when we're doing that, we are going to be  
3 doing things, Judge, like providing front funds. And you'll  
4 see advances in these documents so that we can get the  
5 services out there to address the emergency as directed by  
6 the Mayor and the --

7 THE COURT: Let's stop right there and get LAHSA  
8 involved. I think at two hours and 14 minutes on the tape,  
9 there's a statement made that you can actually advance  
10 25 percent to a provider without documentation.

11 Now, just a moment. I've got to look at that  
12 timing again. But the interesting conversation starts at  
13 2 hours, 26 minutes, and 30 seconds, and it goes to about 2  
14 hours and 50 minutes.

15 Part of that conversation is that apparently, at  
16 the present time, you can advance. But part of that  
17 conversation was that for the invoices for three quarters,  
18 quarters 2, 3, and 4 for the current year, we didn't have on  
19 the City's part the invoices for LAHSA. They were only  
20 working off of quarter 1.

21 How can the public possibly scrutinize and be aware  
22 of what you're paying and what the verification is when we  
23 are two and three quarters behind getting that information?  
24 And then there's an interesting discussion about maybe going  
25 to 50 percent. And if you go to 50 percent, then my effort

1 and the Mayor's effort and the Controller, so we're all  
2 co-equal here, to get transparency is ridiculous because  
3 we're paying 50 percent on the front side in violation of --  
4 and will you put up this document again -- your own written  
5 document that states as follows: "Contracts follow a cost  
6 reimbursement model which means that service providers must  
7 perform work first and then invoice LAHSA for reimbursement  
8 of program expenses. And payments from LAHSA to contracted  
9 service providers are contingent upon receipt of required  
10 documentation."

11 How do I possibly and you possibly get transparency  
12 for the public if we're fronting 50 percent of this money  
13 before any service is performed?

14 MR. SZABO: Judge, that is a fair question. But it  
15 goes back to my prior point which is if there's a need to  
16 provide -- we are talking about millions and millions of  
17 dollars of services that people are receiving right now and  
18 need right now. And so -- so, Judge, and so we do have a  
19 process in the contract that allows us to advance money.  
20 That doesn't mean that money is not verified. They still  
21 invoice against that.

22 THE COURT: No. They verify it on the backside.

23 MR. SZABO: That is --

24 THE COURT: So far we haven't done very well, Matt,  
25 with the verification. That's my concern.



1           Number two, this Court recognizes that the Mayor is  
2           in a difficult position. She can't stop this process of  
3           putting people in interim housing or housing to then clean up  
4           the system, which apparently she'd like to. She's got to  
5           work with this antiquated system that is not verifiable at  
6           the present time and at the same time keep it going for  
7           humane reasons. I understand that.

8           But, Matt, I'm starting to form the opinion that  
9           either we don't have the verification, period. And if we  
10          don't, I need you and the doctor to just tell me that and  
11          let's move on. Or we're going to be in a situation where  
12          we're dragging this out of the providers. And that's going  
13          to get very, very painful because it's going to look like  
14          you're hiding.

15          MS. SWISS: Would you like Dr. --

16          THE COURT: Sure. Speak any time you want to.  
17          Because your input would be welcome. Because there's also an  
18          interesting discussion in that same meeting by different  
19          members of that committee that why don't we just shorten the  
20          time period. And then there were a number of reasons why you  
21          couldn't.

22          But I got concerned -- I think the members did  
23          also -- about being two and three quarters behind in  
24          submission from LAHSA which makes it impossible to verify.  
25          So --

1           Please come on up for a moment. I can't hear you.

2           DR. ADAMS KELLUM: I need my chief of staff to join  
3 me.

4           THE COURT: Well, have her come with you. Sure.  
5 Bring the whole group. That's fine.

6           If we can get this system together -- by the way,  
7 coming up here, I'm going to raise another problem. Why  
8 don't we have the State involved through you folks? I'll  
9 give you an example. I'm houseless. I'm contracting with  
10 LAHSA. I now go into -- not recuperative care, but I go into  
11 substance abuse. Most of those are private providers.

12           Now, if I'm contracting with LAHSA, I have to go in  
13 the HMIS system, which we're going to talk about in just a  
14 moment, Doctor. We're going to talk -- come on up. Join me.

15           But as soon as I go over to substance abuse, which  
16 is a huge amount of money, I don't have to get entered in the  
17 HMIS system. So now I provide for Medi-Cal through my  
18 private provider, and I'm double paying. LAHSA innocently  
19 doesn't know I've gone over to my private substance abuse  
20 provider who is now billing through Medi-Cal. And LAHSA is  
21 still paying the bill believing that they're still providing  
22 in some way.

23           A lot of our contracts, by the way, are  
24 contractually based for X number of beds, but we don't know  
25 if those beds are filled. And my concern is that we're

1 creating a system that doesn't encourage frankness, I'll just  
2 say it, truthfulness. Because you get punished if you're a  
3 provider and you only fill 80 percent because then we come  
4 back and say you didn't fill the 80 -- you only filled  
5 80 percent. We might give the other 20 percent to another  
6 competitive provider or we might cut back your services  
7 because it's not outcome-driven.

8 Now, Doctor, I'm going to turn this over to you.  
9 By the way, thank you for your courtesy. Thank you for being  
10 here. I want to compliment you. I think you're trying to do  
11 a good job. Let's just start the conversation.

12 DR. ADAMS KELLUM: Thank you so much. Va Lecia  
13 Adams Kellum, CEO of LAHSA.

14 Judge, do you mind repeating your question? I know  
15 you've raised a couple, and I just want to make sure --

16 THE COURT: How are we working off of accuracy for  
17 the public if we're two and three quarters behind? And the  
18 testimony yesterday was we had quarter 1, 2, 3, and 4, that  
19 we were working off quarter 1, but we didn't have quarter 2  
20 and 3. I'll play the tape if you want. I can get it for  
21 you.

22 DR. ADAMS KELLUM: So I think it's important to  
23 differentiate between the cost reimbursement model and the  
24 invoicing system. The providers have been doing the work,  
25 and they have the, because of the cost reimbursement model,

1 the accrual of expenses, as well as documentation on  
2 expenditures, services rendered, beds filled, et cetera.

3 And because of the cost reimbursement model and the  
4 amendment process, there's a certain process by which they  
5 submit those. But that doesn't mean the work hasn't been  
6 done or the documentation is not available.

7 THE COURT: We don't have the documentation  
8 verifying it.

9 DR. ADAMS KELLUM: The documentation begins to get  
10 verified once we have an approved budget template, et cetera.  
11 We can call it the bureaucratic controller type of audit  
12 steps to make sure that you know we're doing our due  
13 diligence.

14 THE COURT: You got \$80 million in May?

15 DR. ADAMS KELLUM: That is jumping ahead. I want  
16 to say first that those pieces which the Mayor raised are the  
17 things we go back and forth to make sure are clean before we  
18 can pay a provider.

19 So it may feel like you're missing the  
20 documentation. That is not a hundred percent true.  
21 You're -- you're delayed in getting that documentation  
22 because there's been a delay for some in the payment of those  
23 invoices from a cost reimbursement model.

24 The 80 million that you heard us reference of  
25 paying out last month was not all city reimbursements. That

1 was a mix of state, county, and city expenditures. And those  
2 were all based on documented-based invoices from service  
3 providers and paid.

4 THE COURT: Thank you.

5 DR. ADAMS KELLUM: Absolutely.

6 THE COURT: Matt, any other comments?

7 MR. SZABO: Only that to echo Dr. Adams Kellum that  
8 the work of verification happens. And in the case of the  
9 advance, it is just delayed. And it's also the  
10 reconciliation. So if -- if the service wasn't provided at  
11 the level that was requested, we only pay for the level that  
12 was actually provided, and we -- we make good as we go along.

13 That's -- that's just a necessary -- it's a  
14 necessary component to the need -- the conflict between the  
15 need and the need to verify.

16 THE COURT: Who goes out to spot check, at least,  
17 and verify some of this? In other words, nobody expects you  
18 to go from establishment to establishment, but some folks  
19 have been out there.

20 And let's just say that it's -- it's hard to find  
21 some of the representations being made. If we want to get  
22 into that today, we'll start calling some people. Okay?

23 But let's just say it's hard to find. Who is  
24 actually going out there other than the data-driven  
25 information that we received and occasionally spot checking

1 to make certain that these services are really being  
2 performed or bed spaces being filled? And we can't find that  
3 entity doing actually on the ground except maybe my special  
4 master and a few others just making these checks.

5 So, therefore, we're completely dependent upon the  
6 data coming from providers who are decent but also very  
7 self-interested.

8 MR. SZABO: My office does the financial analysis.  
9 Dr. Adams Kellum, I think your team --

10 THE COURT: Who checks?

11 DR. ADAMS KELLUM: We have a contracts and grant  
12 team that check -- first of all, finance looks at those from  
13 a financial perspective monthly. The contracts and grants  
14 team now meets monthly as well to go over expenditures,  
15 underspending, overspending, et cetera. So there's a lot of  
16 scrutiny of those contracts and of the utilization.

17 THE COURT: We know this --

18 DR. ADAMS KELLUM: Once a year we go out in  
19 person --

20 THE COURT: Right.

21 DR. ADAMS KELLUM: -- and do audits where we can at  
22 any time pull a representative sample of actual receipts.

23 THE COURT: I'm going to read this to you. This is  
24 verbatim: "Service providers are contractually obligated to  
25 maintain copies and make them available during monitoring."

1 That is what we seem to be missing.

2 "All contract providers must undergo annual audits  
3 by qualified external accounting firms." That's literally  
4 reading verbatim.

5 "Loss of monitor service providers quarterly  
6 reviews detailed receipts and other financial records." I  
7 don't see anywhere here that anybody is on the ground going  
8 out and verifying the data-driven information coming from  
9 good but self-interested providers.

10 DR. ADAMS KELLUM: To clarify, yes, quarterly all  
11 providers have to have their own outside audit that is turned  
12 in to LAHSA just to make sure they have an actual audit firm  
13 and then LAHSA. We can show you some examples of the letters  
14 that go out where we notify providers that we're coming out  
15 to monitor in person. And that happens. There's a report,  
16 and it also includes whether there's any findings or any  
17 issues. And that is public. So we can give you an example  
18 of what that looks like. That is in-person monitoring.

19 THE COURT: So if we went out and spot checked, you  
20 feel pretty confident that I would find these services?

21 DR. ADAMS KELLUM: I feel confident that you would  
22 see the services rendered. What -- I think you would find  
23 the services rendered --

24 THE COURT: We'll give you a microphone or  
25 something, yeah, just so we can hear. Yeah, it's okay, just

1 yell.

2 DR. ADAMS KELLUM: I think this is an excellent  
3 opportunity to verify and show the community what is going on  
4 out there.

5 THE COURT: Okay. I'm going to turn to a different  
6 area for just a moment. You're welcome to stay. It may  
7 concern you. It's the second area so we don't belabor this  
8 today.

9 MS. SWISS: Your Honor, I apologize. I would like  
10 to ask if LAHSA could be excused.

11 THE COURT: You're here because you want to be or  
12 not. It's going to get really interesting, though, in a  
13 couple minutes, much more interesting than so far. But it's  
14 up to you. You're here because you want to be. You're not  
15 ordered by the Court. But I'm glad you're here because at  
16 least I'm getting input. Thank you.

17 I toss out to all of you in LAHSA as you leave,  
18 Doctor, that you may be getting hypothetically double billed  
19 in what I'm going to call the Wild West area of substance  
20 abuse because the substance abuse people aren't required to  
21 put into your HMIS system. Let me repeat that. You know  
22 that, and I know that. And that's where the bulk of our  
23 money is going.

24 So I could have a good provider or let's say a  
25 self-interested provider. And as soon as I go over to



1 substance abuse, those are private providers. And who do  
2 they bill? Medi-Cal. Now, meanwhile, you have them on your  
3 roll. And there's no effort and we don't even know at LAHSA  
4 innocently that they're over there with the private provider.

5 How do we get the State involved to start linking  
6 the system that everybody is trying to make better so that  
7 the State when we have a private provider and they're paying  
8 through Medi-Cal has to put into our HMIS system so you don't  
9 get double billed?

10 Help me with that. How do we do that? I'm looking  
11 for suggestions because there's the other part. And that's a  
12 huge part of what could be happening in terms of  
13 unintentional double billing. Now, we can get to the  
14 intentional in just a moment, the dead people, we will in a  
15 few moments.

16 This is a large part of your money out there. It's  
17 not recuperative care, Doctor. It's not recuperative care  
18 with old people like me, no. It's over in that substance  
19 abuse area where we don't have to put it into the HMIS  
20 system. And that's where a lot of that money is going. And  
21 you could be getting billed and not knowing that.

22 Because, as an example, if I'm homeless and I am  
23 down in Curren Price's district, I'm getting treated by  
24 Hopkins hypothetically. And I move up the road and I go  
25 to -- I mean Dawson's district. And I move up the road and I

1 go to Curren Price's or St. John's or somebody. I'm just  
2 picking. And then I go over to VOA.

3 I know that HMIS system, we have a tickler. The  
4 last provider should be picking up the fact that the other  
5 two providers. But we have no way of knowing how quickly  
6 they stop billing you. There could be a time delay in good  
7 faith because they don't know if the person is coming back.  
8 They could have some kind of specialized treatment. That is  
9 one potential problem as a homeless person moves around.

10 The second, though, is that whole billing with  
11 Medi-Cal when we can't keep track of people in the substance  
12 abuse area. They're over here with a private provider that  
13 applies to Medi-Cal that we don't even know about. Meanwhile  
14 you're paying for a month or longer innocently. Doing a good  
15 job by the way.

16 How do we get the State hooked in? Because the  
17 State on one hand complains I'm putting out money and I'm  
18 getting little data back. How do we tie that together?  
19 Think about that anyway, would you? Have the Mayor think  
20 about that. Because I think you've got power with the  
21 Governor. Because that's Medi-Cal. That's his. Okay.

22 I'd like to hear from the completion of the  
23 necessary field from the HMIS system which was just started  
24 into. There have been numerous delays from the County and  
25 the City resolving these fields.

1           And the parties and LAHSA I think should be able to  
2 testify and verify today that these fields are sufficient or  
3 not.

4           So let me start with the City. Are these fields  
5 sufficient? Get Matt involved. Get the crew up here if you  
6 want to. Because it's in your self-interest to make these  
7 fields sufficient.

8           MS. MARIANI: Understood, Your Honor. A lot of  
9 progress has been made on this.

10          THE COURT: I know that. Are they sufficient?

11          MS. MARIANI: Honestly, I'm not in a position to  
12 testify to that today.

13          THE COURT: Crew, come on up here. From the City,  
14 just gather around. She needs help. This is really simple.  
15 This has been going on a long time. Are they sufficient or  
16 not? Yes or no?

17          MS. MARIANI: Unfortunately, Your Honor, I don't  
18 think we can say that today. We had a productive --

19          THE COURT: Then they're not.

20          MS. MARIANI: Well --

21          THE COURT: Then they're not. What's missing?

22          MS. MARIANI: That isn't the issue at this point.

23          THE COURT: What's missing?

24          MS. MARIANI: I'm sorry, Your Honor. I really  
25 can't --

1 THE COURT: Go out and talk to Matt. Go out and  
2 talk to your crew for a moment. I don't want you in that  
3 position. That's an order. Stand up on your feet and walk  
4 back and talk to him.

5 MS. MARIANI: We can talk. I just --

6 THE COURT: No, no. Now. That's an order. I  
7 don't need to hear any more lawyer talk now. Go back and  
8 talk to him.

9 What's missing? Let's get past this and get this  
10 resolved. This has been going on like the Rocky Horror  
11 Picture Show. In fact, better yet, why don't you folks go to  
12 lunch. I'll see you at 1 o'clock. Okay? Have a nice lunch.  
13 Ordered back at that time.

14 (Proceedings concluded at 11:56 a.m.)

15 CERTIFICATE

16 I HEREBY CERTIFY THAT THE FOREGOING IS A TRUE AND CORRECT  
17 TRANSCRIPT OF THE STENOGRAPHICALLY RECORDED PROCEEDINGS IN  
18 THE ABOVE MATTER.

19 FEES CHARGED FOR THIS TRANSCRIPT, LESS ANY CIRCUIT FEE  
20 REDUCTION AND/OR DEPOSIT, ARE IN CONFORMANCE WITH THE  
21 REGULATIONS OF THE JUDICIAL CONFERENCE OF THE UNITED STATES.

22

23 /s/ Miriam V. Baird

06/07/2024

24 MIRIAM V. BAIRD  
25 OFFICIAL REPORTER

DATE