

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority

April 17, 2026

Prepared By: Clark Nuber P.S.

Table of Contents

	Page
Executive Summary	I - II
Engagement Background	1
Purpose and Scope	1 - 2
Observations and Recommendations:	
Section 1: Evaluate Negative Cash Position	3 - 8
Section 2: Identify Gaps in Cash Management Processes	8 - 12
Section 3: Reconcile and Evaluate Cash Advances	12 - 14
Section 4: Analyze the Use and Allocation of Contributed Funds	14 - 18
Section 5: Evaluate Accounting Infrastructure and Reporting Systems	18 - 28
Section 6: Evaluation of Employee Reimbursements and Cash - Equivalents	29 - 30
Section 7: Governance, Oversight, and Policies and Procedures	31 - 32
Opportunities and Recommendations for Improvement	33 - 35
Appendix A: Scope and Approach to Forensic Evaluation	36 - 39

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Executive Summary

April 17, 2026

Objective and Scope

Clark Nuber P.S. (“CN”) was engaged by the City of Seattle (the “City”), in coordination with King County (the “County”), to conduct a forensic evaluation of the King County Regional Homelessness Authority (“KCRHA”) covering the period from mid-2021 through July 31, 2025. The evaluation focused on financial condition, governance, and risk management practices, with particular attention to factors contributing to negative cash balances and opportunities to strengthen processes and oversight.

This Executive Summary highlights selected observations and key takeaways from the evaluation. A more detailed discussion of observations, supporting analysis, and related recommendations is included in the body of the report.

Financial Observations

- KCRHA experienced recurring negative cash balances beginning in December 2023, reaching a negative cash position of approximately (\$44.7) million as of July 31, 2025.
- An administrative operating deficit of approximately \$4.26 million was identified, which includes approximately \$1.26 million in interest charges that are not expected to be recovered.
- A receivables balance of \$8 million could not be reconciled based on available records, indicating a potential need to write it off.

Accounting and Financial Reporting Observations

- A formal monthly accounting close process and standardized internal reporting package were not consistently in place during the period under review.
- Accounting records, particularly those maintained prior to late 2024, often lacked sufficient detail to readily trace transactions or balances.
- Internal financial statements for 2024 did not fully reconcile to audited financial statements, with an identified variance of approximately \$1.3 million.

Factors Contributing to Cash Constraints

- Delays in cash reimbursements, driven largely by inefficiencies in invoicing and review processes.
- Significant administrative costs, including \$2.96 million dollars for Robert Half staffing through June 2025.
- Programmatic overspend, including an unapproved \$6.4 million overspend in 2025
- Budget monitoring and oversight practices that did not consistently support timely identification and management of spending variances.
- No tracking mechanism for advance funds to clearly link how funds were used

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Executive Summary

April 17, 2026

Governance and Internal Control Observations

- KCRHA had not formally adopted a comprehensive internal control framework, such as the COSO framework. This is a requirement under Uniform Guidance (2 CFR Part 200).
- Significant exceptions and gaps were noted in the design and execution of internal controls.
- Existing policies and procedures did not consistently align with the operational complexity of KCRHA, and departures from established processes were observed in practice.
- Roles and responsibilities related to financial leadership and oversight were not clearly defined, including the absence of a formal financial oversight committee.

Considerations Related to Fraud, Waste, and Abuse Risk

- The evaluation did not identify specific evidence of large-scale fraud in the samples we reviewed. However, due to limitations in internal controls, the risk of fraud, waste, and abuse remains, as it would for any organization in a similar situation.
- Although no specific evidence of fraud was identified, there is higher risk for fraud, waste, and abuse in areas involving cash-equivalent instruments such as purchasing cards (P-Cards) and program-related gift cards.

Recurring Key Themes Throughout the Report

- Invoicing and Receivables Inefficiencies
- Weak Reconciliation and Traceability of Accounting Records
- Weak Internal Controls
- Reporting and Accounting System Limitations
- Governance, Policy, and Budget-Oversight Gaps

Conclusion and Key Recommendations

The challenges outlined in the report are not the result of a single decision or management period, but rather the accumulation of several years of compounding and interrelated issues.

Weaknesses remain in the current state, including issues related to process workflows, accounting methodology and reporting transparency, invoicing and receivables management, budgeting management, reliable supporting documentation, governance and oversight, and effectiveness of internal controls.

Together, these issues contribute to a financial and operating environment that is difficult to manage efficiently and increases financial risk for both KCRHA and Funders.

Addressing the issues at KCRHA will require a coordinated and multi-layered approach, which may represent a significant time and cost investment. Current KCRHA management has primary responsibility for running an efficient and transparent organization and should evaluate and implement the recommendations in this report to reduce risk and strengthen stewardship over public funds.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority

April 17, 2026

Engagement Background

Clark Nuber P.S. was engaged by the City of Seattle (the “City”) in collaboration with King County (the “County”) to perform forensic evaluation services related to concerns over potential financial and cash management issues at King County Regional Homelessness Authority (“KCRHA”). The primary concerns have included ongoing and significant negative cash balances, unreliable and non-transparent financial reporting, and related governance and compliance issues.

KCRHA Background

KCRHA is a governmental entity that was legally formed in December 2019 through an Interlocal Agreement with the City of Seattle (the “City”) and King County (the “County”). Operational launch occurred in mid-2021. Since its inception, KCRHA’s mission has been to operate a homelessness support system to address unsheltered homelessness throughout King County.

Primary funding for KCRHA is provided by the City and County (together, the “Funders”), which represents the majority of KCRHA’s financial support. KCRHA has also received other, supplemental revenues from federal programs, including the U.S. Department of Housing and Urban Development (HUD) Continuum of Care and COVID-19 relief funding under the CARES Act (2020-2024), as well as from the WA State Department of Commerce and select local governmental entities.

From inception through July 31, 2025, KCRHA received a total of \$533.9 million in funding from all sources.

Purpose and Scope

The primary purpose of the engagement was to:

- Identify underlying organizational, operational, cash management, accounting or related systematic factors that contributed to the negative cash balances and limited financial transparency.
- Assess the adequacy, support, and reconciliation of advance payment activity to identify related reporting issues to Funders.
- Evaluate governance and risk management practices that were in place at KCRHA to protect public funds from potential fraud, waste, and abuse.
- Identify opportunities and recommendations for KCRHA to strengthen its financial management practices, increase transparency, and reinforce trust in the organization’s ability to fulfill its mission responsibly.

The engagement scope covered the period from mid-2021 (operational start) through July 31, 2025, and the specific procedures are outlined in the Scope of Work and Approach to the Forensic Evaluation at Appendix A.

Our work evaluated several sources of information, including the accounting and financial records, internal controls and processes, policies and procedures, governance and risk management practices, staff and leadership interviews, email communications, and data mining procedures and analytics for the period under scope.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)

April 17, 2026

Disclosures and Limitations

Our engagement did not constitute an audit and was not designed to provide assurance over the accuracy of financial statements of KCRHA. This report is intended solely for the internal use of the City, County, and authorized designees.

Scope Limitation Note: Accounting records, especially related to receivables, invoicing, and advance funds were not functionally traceable or reconcilable prior to late 2024 due to the use of extensive batch journal entry accounting and the absence of an accounts receivable module. Substantial rework of accounting records would be needed to understand the detailed flow of funds and related expenditures during this period. Limitations in traceability remained on July 31, 2025, especially related to the use, allocation, and traceability of advance funds.

KCRHA and Public Accountability

It is important to understand the regulatory environment that applies to organizations responsible for managing public funds. Under applicable federal and state requirements, KCRHA is subject to substantial oversight, compliance, accountability, and transparency expectations for stewardship of funds. Given KCRHA's administration of significant public resources in a highly visible policy area, these expectations are elevated, and the issues outlined in this report should be considered within this context.

Internal Controls at KCRHA

A critical component of stewardship over public funds is to have present and functioning internal controls. Internal controls are the steps and processes an organization puts in place to protect public dollars, reduce risk, and to ensure that spending follows funding requirements. Organizations, such as KCRHA, are required by Uniform Guidance (2 CFR Part 200) to have a documented and functioning internal control framework in place, such as COSO, the gold standard of internal control frameworks.

The COSO internal control framework describes how an organization should run itself responsibly and reliably. In simple terms, it covers whether leaders set the right "tone at the top," whether clear rules and controls are in place to manage money and operations, whether people have the information and training they need to do their jobs, whether communication flows up and down the organization, and whether management regularly checks that controls are working as intended and fixes them when they are not.

We were not provided with evidence of a documented internal control framework, such as COSO, at KCRHA. Although some controls do exist at KCRHA, we noted significant inconsistencies in practice across the work we performed. Specific examples of internal control weaknesses are noted in the report.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)

April 17, 2026

Observations and Recommendations

The Observations and Recommendations section presents the overall results of the procedures performed, and includes our observations, related impact, and recommendations for each procedure. The sections and procedures below are outlined in the Scope of Work and Approach to the Forensic Evaluation at Appendix A.

SECTION 1: EVALUATE NEGATIVE CASH BALANCE POSITION

Purpose: Assess the drivers and implications of recurring negative cash balances, including the timing of cash inflows and outflows, use of advances or internal funding mechanisms, and the effects on liquidity, financial stability, and public fund stewardship.

Procedure: **Reconstruct Cash Flow Timelines to Identify Timing Gaps Between Inflows and Outflows.**

Cash Flow Timelines Illustrated Growing Receivables and Declining Cash

Observation: Growing receivables were an indicator of cash-management challenges in a reimbursable funding model, reflecting slower conversion of receivables to cash. KCRHA had consistent growth in receivables over the scope period, with an ending balance of \$49.8 million dollars on July 31, 2025. As part of our analysis related to accounts receivable, we noted an \$8 million-dollar outstanding receivable balance, included in the total, that KCRHA management was unable to explain or reconcile.

KCRHA also received significant infusions of cash through City advance payments, which warranted further evaluation of why positive cash balances were not maintained over time. This issue related to expenditures being incurred and paid prior to having received the applicable advance cash and is further described in Section 3.

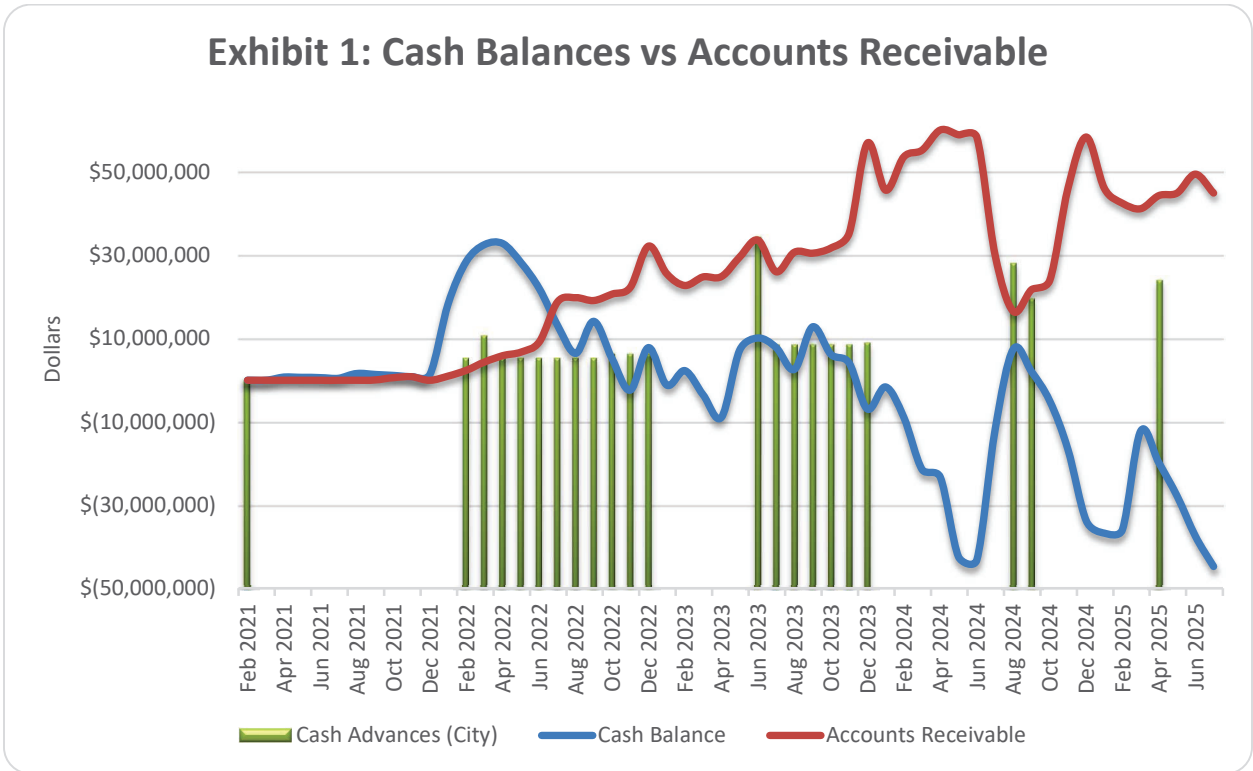
Exhibit 1 illustrates cash balance trends (blue line), infusion of advance funds (green lines), and receivables (red line) over time. "Borrowed" King County Investment Pool ("KCIP") funds are represented in the Exhibit any time the cash drops below zero. The Exhibit indicates that cash continued to decline despite advances, and the growing receivables indicated that the cash conversion process was not keeping pace with outflows.

On July 31, 2025, the cash balance was negative (\$44.7) million dollars, accounts receivable totaled \$49.8 million dollars, and advance funds over the scope period totaled \$226.9 million dollars.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)
April 17, 2026

Observations and Recommendations (Continued)



Significant Timing Delays Between Expenditure and Invoicing

Observation:

We noted significant timing delays between expenditures and related invoicing throughout the scope period. The most significant delays were associated with billing periods occurring prior to late 2024. For example, the City’s January 2023 billing period was not invoiced until May 30, 2024, reflecting a delay of approximately 16 months before cash conversion. Similarly, King County’s November 2023 billing period was not invoiced until December 1, 2024, representing a delay of approximately 12 months before cash conversion.

Over the entire scope period, invoice submissions were delayed more than 30 days past the period end date for 26.5% of total City invoices, and 57.7% for total County invoices.

Impact:

The delays in invoice submission directly impacted management’s ability to monitor and forecast cash flows in a timely manner.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)
April 17, 2026

Observations and Recommendations (Continued)

Timing Delays Were Created by Inefficiencies in the Internal Invoice Process

Observation: The conversion of receivables to cash is highly dependent upon an efficient and accurate invoicing process. This includes timely submission of invoices that are accurate and supported by appropriate documentation.

Invoices submitted by KCRHA regularly contained errors and information that needed to be corrected. Specific errors are more fully detailed in the following observation. Erroneous invoices were rejected by Funders and sent back to KCRHA for correction. Depending on the issue, the correction process was lengthy and administratively burdensome. In several instances, KCRHA needed to go back to the original contractors for additional information, or the programming staff needed to research and update programmatic budgets. The back-and-forth process between KCRHA and Funders periodically occurred multiple times for the same invoice.

Impact: Repeated invoice rejection, rework, and resubmission increased administrative burden, strained coordination between finance, programs, and Funders, and significantly delayed the conversion of receivables into cash.

Exceptions Identified in Sampled Invoices

Observation: Of the 29 invoices sampled across the scope period, we noted the following exceptions:

- 25 invoices (86%) did not reconcile to the expenditure detail support.
- 19 invoices (66%) did not reference the correct budgeted amount.
- 13 invoices (45%) were resubmitted multiple times in the same month.
- 29 invoices (100%) did not contain a Contract Payment Authorization Form, as required by the Master Service Agreement.

In several instances, we also noted invoices that were submitted prior to final approval of annual budgets or amendments, increasing the likelihood that reported amounts would later require revision.

Impact: The recurring errors and inconsistencies reduced efficiency and increased administrative burden, including at the Funder level. For example, it became necessary to hold weekly meetings between KCRHA and the Funders to work through the ongoing backlog of errors.

Inefficient Accounting Process Noted for Rejected Invoices

Observation: KCRHA used the Unbilled Revenue account as a centralized temporary account for rejected or unresolved costs, resulting in a large volume of items moving through resolution in a single account. In addition, there was not a central tracking mechanism maintained to provide timely visibility into resolution status, the potential cash-flow effects of disputed items, and assigned resolution steps.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)
April 17, 2026

Observations and Recommendations (Continued)

Recommendation: Management should evaluate the unreconcilable \$8 million dollar receivable to identify what it represents, and whether it is collectible. If not, this balance may need to be written off.

Management should also evaluate and streamline the processes for preparation, review, submission, revision, and resolution of invoices through a controlled and transparent process rather than through iterative correction process and ad hoc coordination with Funders. We also recommend additional process training for program staff, who are responsible for the coding, so that consistency and accuracy become consistent.

Furthermore, management should implement a tracking mechanism to provide real-time visibility into rejected costs and invoice delays. The tracking mechanism should include detailed information about resolution status, resolution ownership and pathway, and the expected cash-flow impact of disputed items.

Procedure: **Analyze Trends in Cash Balances Over Time and Correlate With Major Funding or Spending Events.**

Cash Shortfalls Appeared Structural Rather Than Event-Driven

Observation: The ongoing negative cash balances did not appear attributable to any single large expenditure, project, or discrete event. Instead, expenditures and cash outflows remained relatively consistent, while the timing of reimbursements and funding inflows did not keep pace.

We would have expected that advance funds would have supported ongoing positive cash flow. However, we also noted that expenditures often occurred well before receipt of advances and were retroactively applied, meaning that expenditures were made before actual advance cash was available.

Impact: Expenditures outpaced reimbursements and funding which continued to drive cash balances downward.

Recommendation: KCRHA should regularly monitor cash flow and related balances against day-to-day spending and compare that to the expected timing of reimbursements and advances. Monitoring should include escalation triggers that alert management when to take corrective action, such as expedited invoicing or proactively discussing cash needs with Funders.

Procedure: **Identify Internal or External Borrowing or Fund Transfers Used to Cover Shortfalls.**

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)
April 17, 2026

Observations and Recommendations (Continued)

Lack of Clarity Noted as to the Existence or Extent of Internal Borrowing

Observation: We were unable to determine to what extent restricted funds, intended for specific purposes, were used to temporarily cover unrelated costs. This was difficult because the accounting records, which allocated funding and costs through large, retroactive journal entries, obscured end-to-end traceability. In other words, we were unable to trace specific transactions through the accounting system without significant effort to unwind complex journal entries.

Impact: Without clear tracking of funds, the organization could not easily demonstrate that cash was consistently used for its intended purpose. This increased the risk of potential noncompliance with Funder and contract requirements.

KCRHA Relied Heavily on Borrowed Funds Through KCIP

Observation: KCRHA regularly relied on borrowing cash from KCIP to cover day-to-day operations by being permitted to carry negative balances in KCIP. Interest charges related to borrowing totaled \$1.27 million on July 31, 2025. The significant interest balance demonstrated that negative cash balances persisted over extended periods of time.

Impact: The \$1.27 million dollars represented an unrecoverable cost, meaning that there was no funding source available to pay it back. KCRHA did not provide any planning documentation related to proactively controlling interest costs or payment plans, nor did they identify an alternative funding source to cover these costs. Interest continued to grow as of the date of this report.

Recommendation: Management should manage cash timing differences effectively so that negative balances (and resulting interest charges) are minimized. KCRHA also should establish a documented interest resolution plan and communicate with Funders how interest charges will be addressed. The continued growth of interest charges without a remediation plan in place indicates weakened oversight and does not appear to align with expectations for the proper stewardship of public funds.

Procedure: **Interview Treasury or Finance Staff Regarding Cash Management Practices and Constraints.**

Staff Interviews Noted Several Constraints in Cash Management Practices

Observation: Staff interviews described cash management practices as complex, citing legacy system, accounting and process challenges that continued to affect the organization in the current period. Specifically, they noted that accounting and grants management systems and related accounting processes were not set up optimally during the rapid buildout and initial stand-up of KCRHA. Furthermore, staff and leadership turnover and change had resulted in instability and changing processes over time.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)
April 17, 2026

Observations and Recommendations (Continued)

- Impact:** The rapid buildout of KCRHA, combined with frequent staff and leadership turnover, resulted in KCRHA's inability to formally implement and stabilize its internal controls and internal processes over time. This contributed to the longstanding cash flow management and accounting transparency issues.
- Recommendation:** Management should proactively address and stabilize the system and accounting processes as part of an overall plan to address cashflow issues.

SECTION 2: IDENTIFY GAPS IN CASH MANAGEMENT PROCESSES

- Section Description:** To evaluate cash handling, disbursement, and monitoring processes to identify control gaps, inefficiencies, and governance weaknesses that may affect cash management, authorization discipline, and the safeguarding of public funds.
- Procedure:** **Review Cash Handling Protocols to Assess How Funds are Received, Recorded, and Deposited, Evaluating for Proper Segregation of Duties and Presence of Physical Access Controls.**

KCRHA Did Not Have Direct Access to Physical Cash From Funders

- Observation:** Cash available for programs and administration was controlled by King County through KCIP. Despite physical access to funds, KCRHA still maintained direct responsibility for managing, tracking, monitoring, accurate recording of receipts and disbursements, and reconciliations through their internal accounting system.
- Because the County had physical control over KCRHA cash, it provided a downstream internal control that helped mitigate the risk of potential large-scale fraud, waste, and abuse. Warrants and invoices were required to disburse cash through KCIP, and those documents were reviewed by both KCRHA and the Funders, while the actual release of cash was performed by the County.
- Impact:** Physical access controls over cash were not required at the KCRHA level because of their inherent inability to disburse cash.
- Recommendation:** KCRHA should still maintain strong overall cash-management controls, including bank reconciliations, budgeting, and monitoring.
- Procedure:** **Evaluate Reconciliation Practices by Examining How Frequently and Accurately Cash Accounts are Reconciled, and Whether Discrepancies are Investigated and Resolved Promptly.**

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)

April 17, 2026

Observations and Recommendations (Continued)

The KCIP Account Was Partially Reconciled Outside the Accounting System Rather Than Through a Traditional Bank Reconciliation Process

Observation: A partial reconciliation was performed by KCRHA that compared their internal general ledger with the KCIP statements. These reconciliations were performed outside of the accounting system using an Excel-based workbook rather than through a system-based reconciliation.

The reconciliation process did not operate as a traditional bank reconciliation. Specifically, it did not identify, track, or age open reconciling items such as payments issued but not yet cleared, deposits in transit, or timely identification and resolution of any differences between KCIP statements and the KCRHA general ledger. As a result, there was not a transparent roll forward of reconciling items from period to period.

Impact: Lack of a formal, in-system bank reconciliation process limited visibility into unresolved cash reconciling items and timing differences, and reduced confidence in the accuracy and completeness of reported cash balances.

The Payroll Account Lacked a Detailed, Documented Reconciliation Process

Observation: The payroll checking account was not subjected to a regular, documented reconciliation process since February 2024. As of July 31, 2025, payroll disbursements had started being “reconciled” at a summary level when identified in the KCIP statement. However, without detailed reconciliation against payroll reports, there was no documentation or visibility into essential payroll details (e.g., expected salary rates, withholdings, etc.) or potentially anomalous payments.

Impact: Payroll amounts were not reconciled at a detailed level against payroll reports, which reduced visibility and created risk for not catching payroll errors and potentially anomalous payments.

Weakened Segregation of Duties Noted in Cash Reconciliations

Observation: The senior accountant, according to a desk manual, was the person responsible for performing cash reconciliations. However, we noted that the Controller often performed this duty. This weakened segregation of duties and increased the risk for error, and potential fraud, waste, and abuse. The same person entering cash activity should not be the same person reconciling the cash account.

Impact: Breakdown in segregation of duties represented an internal control issue that limited oversight over cash management, and increased the risk for errors or potential fraud, waste, and abuse.

Recommendation: Management should implement a complete monthly reconciliation process for all cash balances that are performed within the accounting system, that clearly identifies and tracks all reconciling items, and that requires timely follow-up and resolution of discrepancies.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)
April 17, 2026

Observations and Recommendations (Continued)

Procedure: **Analyze Disbursement Workflows by Tracing a Sample of Transactions from Initiation to Payment, Checking for Proper Authorization, Documentation, and Compliance With Policies.**

Inconsistent Disbursement Workflows Created Traceability Issues

Observation: KCRHA did not follow a consistent process that allowed for a detailed tracing of payments through the disbursement cycle. For example, we noted significant differences across time in the way that payments were documented and recorded in the accounting records.

In our evaluation and tracing of sampled disbursements, information had to be pieced together from multiple systems, spreadsheets, emails, and outside confirmations to understand transactional flow, rather than being able to follow a standardized and clear trail directly through the accounting system.

Impact: Inconsistencies in process and accounting created transparency issues and the inability to easily trace disbursement transactions through the accounting system.

Testing Exceptions Were Noted in Disbursement Authorization, Documentation, and Compliance With Policies

Observation: 24 disbursement transactions were selected from the population of payments processed during the scope period. Within this sample, we identified the following exceptions:

- 19 of 24 (79%) disbursements were approved by an individual who did not align with the documented approval authority for the transaction type or amount.
- 6 of 24 (25%) disbursements lacked any documented authorization.
- 13 of 24 (54%) disbursements could not be clearly tied to the designated contract, program, or contract approver based on the documentation retained with the transaction.

Sampled disbursements often required the need for follow-up inquiry and contextual explanation from KCRHA in order to understand the nature and flow of the transactions.

Impact: The rate of authorization and documentation exceptions identified in the 24-item sample suggested a broader internal control issue that reduced confidence that disbursements were consistently approved and processed correctly throughout the scope period. Most importantly, this reduced visibility into whether transactions were appropriately authorized and fully supportable as appropriate organizational expense.

Recommendation: Management should design and formalize a cash disbursement cycle workflow that defines the required steps and responsibilities for each step of the process. Staff should be trained in the processes, and authorization controls should be monitored to ensure that expected processes are being adhered to consistently.

Procedure: **Assess Monitoring and Reporting Tools Used to Track Cash Balances, Outstanding Obligations, and Liquidity.**

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)

April 17, 2026

Observations and Recommendations (Continued)

Cash Balances Lacked Standardized Reporting

Observation: KCRHA did not provide evidence of a standardized, system-driven cash monitoring report or dashboard used to track and manage cash balances, and any related outstanding obligations and liquidity issues. Cash position awareness appeared to rely primarily on informal reporting, manual tracking, and point-in-time statements provided after the fact by the County, rather than on forward-looking, system-driven reporting.

Impact: Without consistent cash monitoring, there was limited ability to proactively manage cash flow timing and liquidity in an effective way.

Hybrid Cash-Accrual Basis Accounting (Non-GAAP) Limited Visibility Into Cash Obligations and Receivables

Observation: During the year, KCRHA maintained accounting records on a hybrid cash-accrual basis. Although a hybrid approach was not inherently inappropriate, it provided less visibility for an organization of KCRHA's size and complexity. Hybrid accounting methods can reduce visibility related to upcoming unpaid obligations and receivables, both of which were critical for understanding cash flow and related planning.

Impact: A hybrid cash-accrual accounting basis decreased transparency related to upcoming obligations and receivables, making cash flow forecasting more difficult.

Recommendation: KCRHA should monitor cash balances in a consistent manner. At a minimum, this should include GAAP-based financials that integrate cash balances with accounts receivable status, unbilled items, advances, and short and long-term obligations.

Procedure: **Interview Key Personnel Involved in Cash Operations to Understand Informal Practices, Uncover Process Bottlenecks, and Identify Opportunities for Control Enhancements.**

Staff Identified Informal Cash Processes and Bottlenecks

Observation: Interviews with finance, treasury, and accounting personnel indicated that day-to-day cash management operations relied on informal processes and institutional knowledge rather than on consistently documented and system-driven processes.

Finance personnel described reliance on spreadsheets, CSV uploads, email approvals, and off-system reconciliations to complete core cash-related processes, including bank reconciliations, Funder invoicing, accounts payable, accounts receivable, and grant tracking.

Issues and reconciling items were frequently resolved through informal channels such as chat messages rather than through retained workpapers or system documentation.

Explanations of cash management processes varied by staff role and experience and were not consistently tied to formally documented procedures.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)
April 17, 2026

Observations and Recommendations (Continued)

Impact: Heavy reliance on manual workarounds reduced transparency, weakened in-system audit trails, and increased the risk of errors, omissions, and inconsistent treatment across periods.

Recommendation: KCRHA should review and update current cash management processes and internal controls. Bottlenecks should be identified and addressed, informal workarounds should be avoided, and staff should be trained so that process consistency can be maintained through all portions of the cash management process.

SECTION 3: RECONCILE AND EVALUATE CASH ADVANCES

Purpose: To evaluate whether cash advances were appropriately recorded, tracked, and reconciled, and whether advance funds were used for their intended purposes in accordance with funding agreements, approval requirements, and applicable financial management standards.

Procedure: **Reconcile Expenditures to Advance Fund Amounts and Identify Unspent or Misused Funds.**

Reconciliations for Advance Funds Were Not Performed

Observation: No routine reconciliation was in place to clearly link expenditures to specific cash advances or show, in an integrated manner, how advance funds were applied over time.

Furthermore, documentation related to advance fund invoiced costs and general ledger transactions was maintained in multiple locations and formats. Records were not assembled into a single, end-to-end view outlining how expenditures were applied against advances, and any remaining or unspent advance funds.

On July 31, 2025, the Unearned Revenue account, in which advance funds are accounted for, had a negative liability balance of (\$475,858). The balance was negative because accounting entries continued to reduce the advance funds balance for billing and adjustment purposes even after the advance cash itself had already been spent as part of normal operations. As a result, the account no longer reflected funds that were available, and made it difficult to rely on the financial records alone to determine whether any advance funding remained at that time.

Impact: Because of the way that advance funds had been accounted for over the scope period, a full understanding of how those funds were used would require retrospective accounting reconstruction and would rely on cross-referencing funding schedules, invoice packages, and general ledger detail. Prior to late 2024, the general ledger detail was not maintained at a level to do this efficiently.

Recommendation: Management should establish a documented routine reconciliation process that clearly links advance fund usage to related expenditures and invoices each month and includes an accurate available balance of unspent funds.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)

April 17, 2026

Observations and Recommendations (Continued)

Procedure: **Review Timing of Expenditures Relative to Receipt of Advance Funds to Identify Delays or Mismatches.**

Expenditures Were Incurred Before Related Advance Funds Were Received

Observation: We noted that expenditures were frequently incurred months before they were invoiced to Funders and then were retroactively applied against advance balances after receipt, meaning that advance funds were essentially being “spent” before KCRHA had access to the funds.

Impact: Pre-spending against expected inflows reduced management’s timely visibility into how funds were being used. This practice increased the risk of inaccurate cash monitoring, obscured funding availability once received, and complicated oversight of spending and compliance with funding expectations.

Recommendation: Management should ensure expenditures are invoiced to Funders promptly after costs are incurred and that advance funds are available. This includes coordinating budget changes or funding amendments before incurring costs and tracking advances in a way that clearly shows when and how those funds are spent, and what remains.

Procedure: **Evaluate Documentation Supporting the Use of Advance Funds.**

Advance Fund Documentation Was Limited Due to No Centralized Tracking Mechanism

Observation: A reconcilable and timely tracking mechanism for advance funds was not in place to provide clear, real-time visibility into fund usage and balance.

Additionally, advance activity was often recorded through aggregated journal entries, allocating expenses after the fact. This limited management’s ability to tie specific payments and expenditures back to individual advances without significant effort.

Impact: A lack of a centralized tracking mechanism limited management’s ability to provide clear, well-supported explanations to Funders and stakeholders regarding usage of advance funds.

Documentation Inconsistencies Due to Different Accounting Treatment Over Time

Observation: Advance fund receipts were recorded differently through multiple general ledger accounts over time. For example, advances received in 2022 and 2023 were recorded to Unearned Revenue, while the 2024 advance was recorded to Unbilled or Other Receivable account, and the 2025 advance was recorded directly to Accounts Receivable.

Impact: Management needed to rely on supplemental schedules and detailed explanations to determine where advance balances resided in the general ledger.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)
April 17, 2026

Observations and Recommendations (Continued)

Advance Fund Usage Was Not Clearly Documented at the Program Level

Observation: Cash advances received from the City and County were not consistently coded to specific program expenses as they occurred, leading to the need for allocation after the fact.

Impact: Limited visibility into program level detail related to advance funds.

Recommendation: Documentation of advance fund usage should be clearly traceable through the accounting system. Management should code each programmatic expenditure in the accounting system so that there is a clear link between funding source and related expenditure.

Procedure: **Trace Advances to Bank Deposits and General Ledger Entries.**

Advance Payments Were Traceable to Deposits and General Ledger Entries

Observation: KCRHA received \$226.9 million dollars in advance funds between 2021 and July 31, 2025. The deposit of advance funds was accurately recorded and traceable from the City's advance payment schedule to the corresponding KCIP bank entries, to the KCRHA general ledger.

Impact: Deposits could be clearly traced in total, which met our expectations for properly recording deposits.

SECTION 4: ANALYZE THE USE AND ALLOCATION OF CONTRIBUTED FUNDS

Purpose: To evaluate whether City and County funds were used, tracked, and reported in accordance with applicable agreements, funding restrictions, and reporting requirements, and whether the accounting records provide sufficient transparency to demonstrate appropriate use of contributed funds to management, oversight bodies, and Funders.

Procedure: **Trace Contributed Fund Receipts from the City and County to the General Ledger and Bank Deposits.**

Challenges in Tracing Contributed Funds to General Ledger Activity

Observation: We were unable to fully trace contributed funds through the general ledger prior to late 2024. This was due to the use of batch journal entries that weren't linked to specific invoices or invoice numbers. Further discussion related to batch journal entry accounting is addressed more fully in Section 5.

When we attempted to reconcile a sample of contributed funds, it required a time intensive matching process, that relied on identifying balances and transactions through an approach that relied on approximate dollar amount matching and incomplete references.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)

April 17, 2026

Observations and Recommendations (Continued)

Contributed fund receipts in 2025 could generally be traced to the general ledger and investment pool statements, except where those deposits covered multiple invoices of funding sources. The incremental improvements in 2025 were due to KCRHA's implementation of an accounts receivable module for invoice management.

Impact: Management was unable to trace the usage of contributed funds over time, especially prior to late 2024.

Recommendation: Management should strengthen the connection between how contributed funds are received and expended through the accounting system. Supporting documentation should clearly link invoices to funds received across time.

Procedure: **Analyze Allocation Methodologies for Compliance With Agreement Terms.**

A Formal, Documented Cost Allocation Process Was Not Identified for Contributed Funds

Observation: We did not receive a formal, documented cost-allocation methodology that could be consistently applied and independently followed across Funders or reporting periods. Journal-entry descriptions referenced multiple allocation approaches, such as fixed percentages of direct costs, guidance-based rates, or evenly spread allocations across funding sources, but these approaches were not supported by a consolidated allocation matrix, reliable calculation workbook, or agreement-specific documentation explaining how the amounts were determined or how they complied with funding terms.

As an example, we noted an internal administrative allocation workpaper showing more than \$36.6 million in reallocations from administrative cost categories to various Funders, including the City of Seattle, King County, Washington State Department of Commerce, HUD, and others, without an agreement-linked calculation schedule. As a result, allocation methods and results could not be validated on a consistent or period-by-period basis.

Impact: Without a single, consistently applied allocation methodology supported by agreement-level documentation, it was difficult to demonstrate that costs were allocated in compliance with each Funder's specific requirements.

Allocation Practices Were Largely Retrospective in Nature

Observation: We observed that a significant portion of expenses were initially recorded in broad administrative categories and later allocated to specific programs or funding sources through large, complex accounting adjustments.

Reallocations often occurred weeks or months after the original transactions and, in some cases, were reversed and re-recorded when more detailed billing information became available. As a result, expenses were not consistently recorded to their final program or funding source at the time they were incurred, resulting in allocations that made it harder to clearly track costs in a confident way.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)

April 17, 2026

Observations and Recommendations (Continued)

- Impact:** KCRHA cost allocation processes reduced clarity over how costs were assigned during the reporting period. It also increased the risk that allocations were being made via retrospective or corrective adjustment, rather than through real-time, supportable transaction coding. This weakened the ability to independently verify allocability and consistency directly from accounting records.
- Recommendation:** KCRHA should establish a clearly defined and consistently applied cost-allocation framework that is directly linked to agreement terms and embedded in routine accounting processes rather than implemented through retrospective accounting adjustments.
- The framework should document approved allocation methods, cost pools, allocation bases, rate calculations, and timing rules, and be supported by standardized schedules that demonstrate how costs are allocated by sponsor and period.
- Costs subject to allocation should be coded at the transaction level using required accounting system fields, with limited use of administrative holding categories and reduced reliance on large corrective reallocations.
- Regular reconciliation, agreement-level review, and assigned ownership of allocation practices would improve transparency and strengthen the organization's ability to demonstrate that allocated costs are reasonable, consistently applied, and compliant with sponsor requirements using the accounting records themselves.
- Procedure:** **Test a Sample of Expenditures Charged to Contributed Funds for Appropriateness and Support.**

Sampled Expenditures Appeared Reasonable on a Surface Level but Lacked Sufficient Support

- Observation:** Based on testing a sample of 24 expenditures charged to contributed funds, transactions appeared reasonable and consistent with KCRHA's mission and general program or administrative activities at a surface level.
- However, required supporting documentation, such as invoices, contract references, or required forms, were not consistently available or completed at the time of our evaluation. The available records did not always provide clear, stand-alone support that would allow an independent reviewer to assess appropriateness and compliance without further inquiry.
- Impact:** When required supporting documentation was incomplete or not readily available, it impaired the ability to reliably assess compliance or appropriateness based on the transaction record alone.

Exceptions in Transaction Approval Authority Were Noted

- Observation:** Detailed testing identified frequent approval-related exceptions in expenditures charged to contributed funds, which is a gap in internal controls.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)
April 17, 2026

Observations and Recommendations (Continued)

Specifically, multiple transactions were approved by personnel whose roles did not align with established approval matrix, while others lacked sufficient documentation to identify the appropriate contract or program approver. In several cases, required approval documentation could not be produced, limiting the ability to independently confirm that expenditures were authorized in accordance with policy and funding requirements. The approval issues occurred across multiple programs and funding sources and were not confined to a single system, individual, or fiscal period, suggesting that consistent policy-driven authorization exceptions were ongoing rather than isolated.

Impact: Inconsistency in authorization standards and practices increased the risk for improper or unallowable purchases and reflected weaknesses in internal control.

Recommendation: KCRHA should strengthen internal controls and practices related to the use of, and accounting for, contributed funds. Specifically, KCRHA should maintain proper supporting documentation, document allocation methodologies that align and are tied to funding source requirements, and enforce authorization controls related to approvals and dollar amounts.

Procedure: **Review Reports Submitted to Funders for Accuracy and Completeness.**

Observation: Reports Submitted to Funders Could Not Be Consistently Reconciled to the General Ledger

Our review indicated that KCRHA provided the City and the County with recurring financial reports, primarily in Excel format, which were initially sourced from NetSuite through “live” system exports. However, these exports were frequently supplemented, adjusted, or manually produced after extraction to incorporate additional detail, summaries, corrections, or estimates. As a result, the final reports provided to Funders were not consistently system-controlled or directly reconcilable to the general ledger.

Impact: Issues in the financial reporting packages to Funders may have reduced Funder confidence, and reduced the ability to efficiently monitor spending levels, assess the availability of advance funds, and identify emerging financial issues without clarification.

Recommendation: Management should strengthen controls over Funder reporting by ensuring that amounts reported to funding entities tie directly and consistently to the general ledger and include supporting documentation and records. Reports should be reviewed prior to submission by someone other than the preparer to identify any inconsistencies or errors.

Procedure: **Identify Any Commingling of Funds or Deviations from Intended Use.**

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)
April 17, 2026

Observations and Recommendations (Continued)

Clear Segregation of Contributed Funds Was Not Consistently Demonstrated in the Accounting System

Observation: The accounting and cash-management records did not consistently demonstrate clear segregation or restriction of contributed funds, particularly in advance funds, at the time expenditures were incurred. We were unable to clearly determine if funds had been commingled or used for purposes other than intended due to traceability issues and use of large, complex reallocations.

Impact: When funds were not clearly restricted or tracked separately from other resources, the organization faced a higher risk that cash from one funding source could have temporarily supported costs related to another source.

Recommendation: Management should strengthen controls over the receipt, tracking, and use of contributed funds, particularly advance funding, to ensure that restrictions are clearly identifiable and enforceable throughout the expenditure process. Monitoring and reporting of contributed funds by Funder should be part of a normal month end close process.

SECTION 5: EVALUATE ACCOUNTING INFRASTRUCTURE AND REPORTING SYSTEMS

Purpose: To evaluate whether the accounting system and reporting process are appropriately designed, consistently structured, and operate with sufficient integrity to support accurate, reliable, and transparent financial reporting for management, oversight bodies, and Funders.

Procedure: **Review the Chart of Accounts (“COA”) for Logical Structure and Alignment With Operational Activities.**

Natural Accounts Did Not Distinguish Between Federal Direct and Indirect Awards

Observation: Natural accounts did not distinguish federal direct awards from federal pass-through awards. For example, one broad account (3311000 Federal Grants) was not enough for Schedule of Expenditures of Federal Awards (SEFA) support or federal award administration.

Impact: As a result, federal direct and pass-through awards could not be reliably identified from the COA alone, which could have created additional administrative burden when preparing the SEFA, along with an increased risk of misclassification.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)
April 17, 2026

Observations and Recommendations (Continued)

Use of Generic Account Names Obscured COA Clarity

Observation: Transparency was weakened by generic or non-specific named accounts, including 49 account names that contained the word "Other", five that contained "Misc.", and 30 system-generated accounts that had no description.

Impact: Accounts that had generic names obscured transparency into the nature of the accounts at the COA level.

P-Card Activity and Standard Prepaid Expenses Were Commingled

Observation: Account 1438000-Prepaid Expense and Account 1438000-Prepaid P-Cards were noted, but prepaid activity was commingled with the dedicated Prepaid P-Card account, which obscured activity for both prepaid expenses and p-card activity.

Impact: Commingled P-Card activity and prepaid expenses obscured the nature and timing of transactions flowing through the account, which required the need for manual reconciliation.

Recommendation: KCRHA should perform an evaluation of the COA and consider improvements that would increase clarity and better align operating activity. The COA should also support clear and consistent grant administration and reporting. Account documentation should include defined account purposes and posting rules, required transaction-level coding, avoid the use of generic or placeholder accounts, and provide clear separation of federal direct and indirect funding.

Procedure: **Evaluate General Ledger Maintenance Practices, Including Journal Entry Controls, and Audit Trails.**

Batch Journal Posting Reduced Funding Traceability

Observation: Prior to late 2024, KCRHA relied heavily on large, batch-level journal entries to record invoicing, reimbursements, payroll, and advance funding activity. These entries combined many transactions into single postings and did not consistently retain key identifying information, such as contract, funding period, or cost category. As a result, tracing individual transactions from the original funding source through billing, cash receipt, and final expense was difficult.

Impact: Use of batch journal entry accounting created barriers to clear and transparent accounting records.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)
April 17, 2026

Observations and Recommendations (Continued)

Audit Trails Identified Significant Transaction Modifications and Deletions

Observation: Audit-trail analysis identified significant changes to transactions after they were initially recorded, including edits made months later and multiple revisions to the same transaction. The observed edits and deletions primarily reflected reclassifications, reversals, or timing adjustments that didn’t directly affect cash balances.

Thousands of transactions were edited more than 90 days after posting, and many were reposted across monthly or fiscal periods. In addition, posted transactions, such as invoices, payments, bills, and journal entries, were sometimes deleted well after posting, including transactions involving large dollar amounts. While the system recorded who made these changes and when, documentation explaining the reason for late edits or deletions, evidence of review, or supervisory approval was not consistently retained.

Impact: Edited or deleted transactions after period end created changes to previously reported financial statements and resulted in potential reliability and transparency issues for readers of the financial statements.

Accounting System User Permissions Did Not Support Segregation of Duties

Observation: User Permission Controls in the accounting System were not configured in a way that maintained proper segregation of duties. In other words, permission controls did not prevent the same individual from going into the accounting system and controlling multiple stages of a single transaction. This applied to key financial processes, such as creation of journal entries, initiation of invoices, editing and deletion of entries, and posting transactions.

The following Exhibit 2 outlines a few examples of accounting processes where permission controls crossed over several staff positions:

Accounting Process	Roles Impacted	Impact	Risk
Accounts Payable and Invoicing	CFO, Chief Admin Officer, Accountant, Accounting Manager, AP Clerk	These users can create or edit a vendor or funder invoice, approve the invoice, and submit the invoice for reimbursement.	Creation and payment of fraudulent or duplicate invoices, payments to unauthorized or fictitious vendors.
Posting Period Control	CFO, Chief Admin Officer, Accountant, Accounting Manager, AR Clerk, AP Clerk	These users can create or modify transactions, and back-date or forward-date those transactions into closed or future periods.	Financial information shifted between periods to potentially mask or manipulate financial results, ability to bypass close controls, undermine financial statement accuracy.
Journal Entry Creation and Approval	CFO, Chief Admin Officer, Chief Finance Director	These users can create manual journal entries, approve their own entries, and post directly to the general ledger.	Unauthorized adjustments to revenue or expense, concealed writeoffs, circumvention of accounting policies, misstatement risk.

Audit-trail analysis showed that the same individuals often entered, revised, and deleted accounting transactions. While the system captured who made changes and when, there was limited evidence of consistent authorization or approval for higher-risk actions such as late changes, large adjustments, or deletions. Although staffing limitations and system transitions may have contributed to this approach, formal compensating controls were not clearly defined or consistently documented.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)

April 17, 2026

Observations and Recommendations (Continued)

Impact: Weak accounting system permission controls at KCRHA increased the risk of unauthorized or inappropriate activity, reduced segregation of duties and elevated the risk of errors or control override without timely detection.

Procedure: **Examine Cost Center Set Up and Usage for Consistency and Traceability of Program Costs**

Cost Centers Were Not Formally Defined

Observation: A clear explanation of cost centers, including a formal matrix from the accounting system, was not provided. We later received a manually produced Word document with a basic explanation of cost centers after follow-up requests.

Impact: The materials reviewed did not demonstrate that cost center usage had been clearly defined or consistently applied within the accounting system, which resulted in reduced transparency over program-level spending and increased reliance on informal explanations rather than system-supported reporting.

Incomplete Use of Project and Contract Fields

Observation: Cost-center and project dimensions were only partially populated at the transaction level and did not consistently support direct program-cost traceability. Based on examination of the full uploaded general ledger, key tracing dimensions intended to support project and contract-level reporting were populated on only a limited subset of transactions. Furthermore, legacy fields from Fluxx (prior grants management system) continued to be used after the implementation of Salesforce.

Impact: Because project and contract fields were sparsely populated and legacy Fluxx fields remained in use, program reporting depended on interpreting multiple overlapping dimensions rather than a single, consistently applied structure. This reduced the effectiveness of the cost-center framework as a primary mechanism for program-level reporting.

Cost Center Design Did Not Align With Actual Usage

Observation: Documented cost center design did not consistently align with actual general ledger usage. Comparison between the available cost-center documentation and general ledger activity showed several inconsistencies in intended versus actual field usage. For example, documentation provided to us described the "Entity Name" field as a Funder identifier, whereas in the general ledger it was used to record vendors and providers such as Catholic Community Services and the YWCA. Program naming conventions were also mixed, reducing consistency across periods.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)

April 17, 2026

Observations and Recommendations (Continued)

Impact: Limited reliability of reporting by dimension and increased risk that similar costs were coded differently across transactions or periods. Use of broad program buckets without project or contract level identifiers reduced management’s ability to monitor program spending in real time and complicated external reporting and reconciliation.

Program Costs Were Frequently Reallocated After Initial Entry

Observation: Program costs were often recorded initially to general administrative categories and later moved to specific programs or funding sources through large journal entry adjustments, rather than being coded to the final program or funding source at initial entry. Our evaluation showed a recurring pattern of large, after-the-fact reallocations used to shift costs to their final program or funding source. This created transparency and tracing issues related to how costs were flowing through the system.

Impact: Reliance on after-the-fact reallocations reduced transaction-level transparency and shifted program-cost determination from routine processing to manual correction.

Recommendation: KCRHA should prioritize the formalization of proper permissions in the accounting system to maintain segregation of duties. KCRHA should also clearly define how programs, projects, grants, and contracts are tracked in the accounting system so costs can be consistently traced from beginning to end. This includes the need for a clear and documented structure that outlines how each cost center connects to specific programs and funding sources, and identifies which fields should be used for official reporting. Older or overlapping tracking fields should be cleaned up or clearly explained to avoid confusion.

Procedure: **Analyze Revenue Recognition Policies and Compare Them to Actual Revenue Postings.**

Governing Revenue Recognition Policy Was High-Level

Observation: The organization’s revenue recognition policy was high-level and did not clearly explain how revenue, receivables, and advance funds should be recorded and adjusted over time. We noted that the accounting records showed frequent large adjustments between revenue, receivables, and advance balances.

Impact: Because revenue recognition practices were not clearly defined or consistently applied, revenue and receivable balances contained repeated corrections and were harder to verify. This also increased the risk that amounts were recorded incorrectly, lacked proper support, or did not clearly reflect grant requirements and performance periods.

Recommendation: KCRHA should review and update the revenue recognition policy to clearly support proper revenue recognition in a way that is transparent and repeatable, and consistent with GAAP accounting. Expand current revenue and receivables policies to define recognition, billing, aging, collectability, allowance, write-off, and deferral rules by revenue stream. Assign clear ownership for grant billing, receivable follow-up, and reconciliation review. Require invoice-to-award, receivable-to-ledger, and cash-to-open-invoice reconciliations along with retained supporting schedules.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)
April 17, 2026

Observations and Recommendations (Continued)

Procedure: Review Expense Tracking Mechanisms and Test a Sample of Transactions for Proper Classifications.

Budget Tracking and Management Did Not Consistently Identify Emerging Overspend

Observation: KCRHA tracked budgets and expenditures in its grant management systems (previously Fluxx and later through Salesforce) but those tools were not consistently used to identify emerging overspend. Budget-to-actual information existed at the program or fund level, but reviews appeared to be retrospective and focused on whether spending stayed within approved budget limits, rather than focusing on whether there was enough cash on hand or when reimbursements would be received.

Although Salesforce had provided some improved structure and more accurate budget and expenditure data than Fluxx, it had not yet been fully incorporated into routine management decision-making. As a result, spending continued based on budget limits even as cash balances declined.

Impact: When budget tracking was not actively integrated with cash balance information, overspending could continue without timely intervention.

Significant Administrative and Programmatic Deficit and Budget Overspend

Observation: As of June 2025, KCRHA carried an administrative cash deficit (overspend) of approximately \$4.26M. Part of that deficit included accrued and non-recoverable interest charges of \$1.26M, which continued to increase.

As an example of administrative overspend, the Salesforce implementation started before formal approval and was not included in the 2024 proposed budget. It was later approved as part of a budget amendment that capped it at \$563K but total costs were estimated after the fact at \$2M to \$3M between implementation, consulting, and project manager salary.

Similarly, the City identified and communicated an approximate \$6.4 million programmatic overspend in 2025 in a letter to KCRHA dated February 13, 2026, noting that expenditures exceeded approved budgets and were incurred without required approval.

Impact: Significant administrative and programmatic costs and overspend have resulted in an increased financial strain for the organization and increased financial risk to both KCRHA and the Funders.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)
April 17, 2026

Observations and Recommendations (Continued)

KCRHA Relied Heavily on Contracted Staff Through Robert Half Which Resulted in Significant Administrative Spend

Observation: Another contributing factor to administrative cash pressure was the reliance on hiring long-term temporary contract staff in key leadership and other roles. KCRHA spent \$2.96 million dollars on Robert Half staffing through June 2025.

As an example, we compared the Robert Half payments for the interim CFO contracted between November 2023 through December 2024 (11 months) and compared that to the cost for that same person and position, who was hired as an employee at the end of the contract.

KCRHA paid Robert Half \$448,497 for the 11-months of the CFO contract. That same person was then hired at a yearly salary of \$285,000.

Impact: Reliance on contracted staff for long-term staffing needs significantly increased administrative spending. Furthermore, long-term contracted staffing increased the risk for potential turnover that could impact ongoing organizational memory when new full-time replacement employees were hired.

Expense Classification, Documentation, and Cutoff Exceptions

Observation: Sampled testing of disbursements identified instances where:

- Expense classifications were not sufficiently specific to determine program or funding source without supplemental schedules.
- Supporting documentation was incomplete, inconsistent, or maintained outside the accounting system.
- Expense timing required manual review to confirm both (a) proper accounting period recognition (cutoff) and (b) alignment with the applicable grant or contract period of performance.

These exceptions required CN to rely on invoice detail, service dates, grant terms, and external supporting documentation as manual workarounds rather than system-generated reporting.

Exhibits 3 and 4

Exhibits 3 and 4 below outline the specific exceptions noted through disbursement testing, which also included P-Cards and employee reimbursements. Exhibit 3 provides the definitions of exception categories, including classification, documentation, and cutoff timing.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)
April 17, 2026

Observations and Recommendations (Continued)

The second chart breaks out the documentation exceptions by testing area to show the specific types of supporting documentation issues identified.

Exhibit 3: Category Definition Legend

Category	Used In	Read This As	What It Means in This Workbook
Classification	Observation Support	Posting not specific enough	The recorded expense did not clearly identify the applicable program, grant, or funding source without supplemental schedules or manual follow up.
Documentation	Observation Support	Support incomplete or off-system	The transaction required additional or corrected support because documentation was missing, incomplete, inconsistent, retained outside the accounting system, or not sufficient on its own.
Cutoff/Timing	Observation Support	Timing needed manual verification	Manual review was needed to confirm proper accounting period recognition, service date alignment, payment timing, or grant or contract period-of-performance.
Approval Evidence	Documentation Breakout	Approval support missing or informal	Approval was missing, unsigned, informal, or not retained with the transaction support.
Approver Mapping	Documentation Breakout	Correct approver not identifiable	The reviewer could not determine the assigned or authorized approver from the approver matrix, contract file, or workflow support.
Contract Support	Documentation Breakout	Contract or grant support did not back the spend	The contract, grant, or agreement support was missing, incorrect, or did not align to the tested disbursement.
Missing Invoice/Receipt	Documentation Breakout	Core purchase support missing	The underlying invoice, receipt, or itemized purchase support was not available in the tested file.
Missing Required Form	Documentation Breakout	Required internal form missing	A required voucher, reimbursement, acquisition, or similar standard form was not completed or retained.
Off-System/Late Support	Documentation Breakout	Support existed outside system or arrived late	Support was maintained outside the accounting system or provided after the fact, requiring separate follow up and manual review.
Support Tie-Out	Documentation Breakout	Support did not reconcile to the record	The support did not agree to the recorded vendor, amount, payment, or other related transaction details.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)
April 17, 2026

Observations and Recommendations (Continued)

Exhibit 4: Observation Support: Expense Classification, Documentation, and Cutoff Exceptions

Testing Area	Sample Size	Classification	Documentation	Cutoff / Timing	Total Mapped Instances	Report Takeaway
City Disbursements	13	1	12	5	18	City testing showed that some costs were not readily identifiable to the final program or funding source from the original posting, and approver plus contract support often had to be reconstructed outside the accounting record.
King County Disbursements	12	4	17	5	26	King County testing showed repeated approval, invoice, and contract-support gaps, so allowability and funding alignment often had to be confirmed through manual follow-up rather than from the accounting record alone.
P-Card Outflows	14	0	34	7	41	P-card testing was primarily related to missing approval evidence and required forms, with additional support retained outside NetSuite or provided late to finance.
Employee Reimbursements	5	0	7	1	8	Reimbursement testing showed missing or incomplete receipts and forms, informal approval support, and tie-out differences between submitted support and the amounts paid.
All Samples	44	5	70	18	93	

Exhibit 4 Continued: Documentation Breakout by Testing Area (subset of Documentation in Chart 1)

Testing Area	Sample Size	Approval Evidence	Approver Mapping	Contract Support	Missing Invoice / Receipt	Missing Required Form	Off-System / Late Support	Support Tie-Out	Total Documentation
City Disbursements	13	2	7	2	0	0	0	1	12
King County Disbursements	12	4	6	4	2	1	0	0	17
P-Card Outflows	14	14	0	0	1	14	5	0	34
Employee Reimbursements	5	3	0	0	1	1	0	2	7
All Samples	44	23	13	6	4	16	5	3	70

The results of our testing reflected 93 exceptions across all areas, in a sample size of 44. Note that sample size reflects the number of items tested within each area. Exception counts represent mapped exception types rather than unique transactions; as a result, exception counts may exceed the sample size when a single item exhibited more than one exception.

The number of exceptions across a relatively small sample size reflects broader control and process gaps beyond missing paperwork alone. Specifically, testing identified recurring issues related to approval authority, required forms, approver identification, contract support, and the alignment of supporting documentation to recorded transactions. In addition, cutoff and classification exceptions required manual review of invoice details, service periods, grant terms, and off-system support to confirm the allowability and timing of expenditures.

Impact: The exceptions noted above illustrate that effective internal controls were not in place at the time the transaction was made.

Recommendation: Management should strengthen internal controls related to expenditures. This should be done as part of a broader, finance-wide risk analysis and internal control review. Routine monitoring should be part of a monthly risk management program to identify exceptions timely and address the issue.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)

April 17, 2026

Observations and Recommendations (Continued)

Procedure: Assess the Timeliness and Accuracy of Internal Financial Reporting

Both Timing and Accuracy of Internal Financial Reporting Were Impacted by the Lack of a Full Month-End Close Process and Reporting Package

Observation: Both a formal full monthly close process and reporting package are fundamental tools for accurate and reliable financial reporting, supportable balances, and decision making. KCRHA did not maintain a documented full month-end close process or a standardized internal reporting package to support consistent and timely financial reporting. Without this process, financial management and oversight was limited.

Financial results were compiled through a substantial number of journal entries recorded late in the reporting cycle. A review of the general ledger showed heavy reliance on month-end and year-end adjustments, with approximately 70% of journal entries recorded at closing periods in 2022 and 2023, increasing to 86% in 2024. These adjustments frequently involved large, complex entries recorded and reversed across periods, often with limited explanatory narratives and inconsistent use of identifiers. These patterns suggest that financial reporting relied more on corrective entries rather than on a consistently applied close process.

Impact: Lack of a consistent and standardized close and reporting package, combined with a heavy concentration of large and complex journal entries at month and year end, reduced transparency and potential accuracy of financial reporting.

Accounting System Configuration Did Not Fully Support KCRHA's Financial Reporting Needs Potentially Affecting the Accuracy of Financial Information

Observation: NetSuite was not configured to support specific reporting needs for KCRHA. For example, budget-to-actual reports could not be generated from the system and instead management relied on manually prepared workbooks. Note that NetSuite is fully capable of providing the type of reporting that KCRHA needs and would require a restructuring of the system to take advantage of those capabilities.

Impact: Limited usage of NetSuite reporting capabilities resulted in the use of manually generated Excel workbooks, which created risk for errors.

2024 Year-End Internal Financial Statements Did Not Match Audited Financials

Observation: As of July 31, 2025, the internal 2024 year-end financial statements showed a difference of \$1.3 million dollars when compared to the audited financial statements. Internal financial statements should ordinarily align with the audited financial statements.

Impact: Mismatched internal and audited financial statements increased the risk that current reported balances could not be relied upon, and could lead to audit findings if not corrected prior to the 2025 audit.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)

April 17, 2026

Observations and Recommendations (Continued)

Recommendation: Management should utilize NetSuite to its full reporting capability by customizing the system to fit KCRHA reporting needs.

Further, management should implement a formal and full month-end close process and standardized internal reporting package that includes defined cutoff rules, required support schedules, and documented reviewer sign-off. Material end-of-period adjustments should be limited to items that cannot be resolved through normal processing and should be clearly explained, supported, and reviewed.

Finally, the discrepancy between 2024 internal and audited financial statements should be reviewed and resolved promptly.

Procedure: **Interview Finance Personnel to Understand Workflows and System Limitations.**

Staff Described Workflow Challenges in Grant and Financial Systems

Observation: Staff reported workflow challenges and inconsistent use of NetSuite and the legacy (pre-2024) grant management system, Fluxx, due to system complexities. For example, approval workflows were not set up in Fluxx, which resulted in significant gaps in documentation and weakened control execution. As mentioned in the prior observation, reporting was not fully set up in NetSuite. The review indicated that the needed functionalities were available in both NetSuite and Fluxx, but that the configuration process at organizational standup did not result in effective workflows.

Impact: The workflow and system limitations described by staff have resulted in increased reliance on off-system workarounds to manage approvals and financial reporting.

Staff Noted Process Inconsistencies

Observation: Staff described uncertainty when asked about approval authorities, required forms, and escalation paths, including an instance where a senior leadership member stated they were unaware of a specific approval form required in the documented policies.

Staff also noted that a history of high staff turnover, rapid hiring, and frequent changes in systems and processes had contributed to inconsistent understanding of “who does what”, especially as policies had not been updated to reflect the current operating environment.

Impact: Procedural inconsistencies weakened the effectiveness of internal controls and created confusion around roles and approvals.

Recommendation: KCRHA management should work with accounting and finance staff to fully utilize the reporting capabilities available on NetSuite. Furthermore, management should review and update financial policies and procedures to reflect the current operating environment, including current roles, approval authorities, and processes. Staff should be fully trained on policies and procedures, along with maintaining documentation that they have reviewed and understand them.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)
April 17, 2026

Observations and Recommendations (Continued)

SECTION 6: EVALUATION OF EMPLOYEE REIMBURSEMENTS AND CASH-EQUIVALENTS

Purpose: To evaluate employee reimbursements and cash-equivalents.

Procedure: **Evaluate Transactions Related to Employee Reimbursements, Gift Cards, and P-Cards.**

Employee Reimbursements and Unusual Transactions

Observation: Employee reimbursement testing identified two transactions that appeared unusual relative to typical activity, although it could not be determined whether they were permitted under the applicable contracts. Specifically, an Interim CFO was reimbursed \$9,019 for lodging, meals, and incidentals for 28 days between September and November 2024, and a Chief Program Officer was reimbursed \$13,440 for relocation expenses, consisting of \$12,500 in moving costs and \$940 for vehicle transport.

These reimbursements were coded to the “Admin (Subject to Cost Allocation)” Funder dimension, which was intended for administrative costs allocated and reimbursed through Funder invoices. Documentation or a formal policy supporting these types of employee expenses was not available for review.

In general, we found that several sampled reimbursements, including the items mentioned above, did not have necessary approval and/or supporting documentation as required by governing policies.

Impact: Increased risk that potentially unallowable or inappropriate employee reimbursements were being paid that had not been reviewed or authorized.

Weakened Controls Related to Gift Card Program Tracking

Observation: We identified nine bulk purchases of MasterCard gift cards totaling approximately \$36.7 thousand dollars, which were primarily related to the Point-in-Time program. While some tracking procedures existed for gift card distribution, documentation for the sampled transactions did not consistently provide an understandable pathway of how gift cards were distributed and used from beginning to end, including identification of final recipients.

Impact: Given the cash-equivalent nature of gift cards, incomplete or inconsistent tracking and documentation increased exposure to potential fraud, waste, and abuse.

P-Card Spending Appeared High Relative to Expectations

Observation: Through July 31, 2025, total P-Card spending was \$1.1 million dollars, which appeared relatively high when compared to the typical usage of P-Cards, generally for small, incidental purchases. We noted several instances of relatively small, but potentially unusual purchases, including clothing, office furniture, and cell phone screen protectors, among others. However, we were unable to determine whether these purchases were appropriate under the specific grant guidelines.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)
April 17, 2026

Observations and Recommendations (Continued)

Impact: The high usage and amount spent through P-Cards increased risk that improper or unallowable purchases were being made.

100% of Sampled P-Card Transactions Contained Internal Control Compliance Exceptions

Observation: We sampled 14 higher-dollar P-Card transactions, and noted that 100% contained internal control compliance exceptions, including missing Purchase Acquisition Forms (required by policy), purchases made by individuals other than the cardholder, missing receipts, and approvals from individuals outside of the prescribed approval matrix.

Impact: Inconsistent controls and incomplete oversight reduced assurance that P-Card purchases were authorized, appropriate, and compliant with organizational and programmatic requirements.

Observation: Recurring Significant P-Card Spend Related to Lived Experience Coalition Winddown

We noted large programmatic P-Card expenses tied to emergency housing during the Lived Experience Coalition wind-down, which included payments totaling \$223,143 at Inn at Lake Washington, and approximately \$136,394 at SeaTac Motor Inn, among others. These payments represented situations where the use of P-cards bypassed the normal contract, invoice, and reimbursement process. Based on the information available to us, it appeared that the specific situation may have warranted P-Card usage because of the immediate need for emergency housing and access to cash for payment.

However, the concern is that these purchases didn't happen a single time, which would be expected for an emergency situation. There were multiple instances of payments over time to these motels, meaning that there may have been time to put a systematic process in place to avoid "emergency" P-Card usage. After the initial need for funds was met, a better process might have been to contract directly with the motels so that proper tracking, approval, and reimbursement could have followed a more standard and formalized path.

Impact: The repeated use of P-Cards for significant housing payments represented an internal control breakdown due to the continued spending without formal approval and oversight.

The P-Card Policy Was Still in Draft Form from 2021

Observation: As of our review, the P-Card policy remained in draft form from 2021 and had not been finalized.

Impact: Lack of a formalized policy created a situation where there was no official guidance on how to manage the P-Card program, what internal controls were required to monitor for potential fraud, waste, and abuse, and who should be authorizing the transactions.

Recommendation: Management should strengthen and consistently apply controls over employee reimbursements, gift card activity, and P-Card usage by finalizing and enforcing clear policies, requiring documented pre-approval, and maintaining complete supporting documentation.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)
April 17, 2026

Observations and Recommendations (Continued)

SECTION 7: GOVERNANCE, OVERSIGHT, AND POLICIES AND PROCEDURES

Purpose: To evaluate the organization’s governance structure, policies, and procedures.

Procedure: **Evaluate Governance and Oversight Structures.**

A Financial Oversight Committee Was Not in Place

Observation: A Financial Oversight Committee had not been established which resulted in limited structured financial oversight and lack of a formal escalation pathway for Funders and stakeholders to raise and resolve financial concerns.

Impact: Lack of a financial oversight committee reduced consistent oversight and limited escalation mechanisms for stakeholder and Funder concerns.

Chief Financial Officer (CFO) Role Ownership Was Unclear

Observation: We noted that the current organization chart did not identify a CFO role. Furthermore, related CFO responsibilities, such as overall cash management, budgeting, financial analysis, and planning, were not clearly assigned to any one person.

Impact: The absence of a clearly defined CFO role limited centralized ownership over several finance areas discussed in this report.

We Noted Limited CEO Participation in Ongoing Bi-Weekly Meetings

Observation: We noted that the CEO was absent from most ongoing bi-weekly project update meetings.

Impact: Executive-level visibility into project status, risks, and emerging issues was limited, and instead we needed to rely on management to address issues. Without consistent senior leadership participation, escalation pathways appeared limited, cross-functional coordination was weakened, and opportunities for timely decision-making and course correction were diminished.

Additional Support and Training Needed for Accounting Staff

Observation: We noted limited staffing capacity in accounting, as well as opportunities to improve cross-functional coordination with program teams, and a need for additional training on Uniform Guidance (2 CFR Part 200).

Impact: Limited staffing capacity and lack of cross-functional coordination with program teams, reduced efficiencies and increased risk for errors, delays in invoicing, and the ability to proactively address several of the issues noted in this report, including proper segregation of duties. Potential knowledge gaps in Uniform Guidance requirements creates compliance risk for KCRHA.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)

April 17, 2026

Observations and Recommendations (Continued)

Requested Information Not Provided in Expected Timeframe

Observation: Information was not provided by KCRHA within the expected engagement time frame, which resulted in a four-month delay to the engagement. Some information received was incomplete or did not align with the information requested.

Impact: Delays in receipt of requested information significantly slowed progress and limited the ability to perform planned procedures as scheduled. Additionally, the delay resulted in the need for an amended engagement budget and increased cost, as well as a compressed time frame and resource utilization constraints.

Recommendation: KCRHA should focus on defining the CFO leadership role, building out the accounting department to include individuals familiar with Uniform Guidance requirements, and establishing executive oversight when working with third party contractors for large, impactful projects.

Procedure: Evaluate Effectiveness of Policies and Procedures

Operational Reality Did Not Align With Documented Policies and Procedures

Observation: Day-to-day operational and financial processes did not align consistently with documented policies and procedures across accounts receivable, accounts payable, grants management, payroll, and P-Card management.

Impact: Misalignment between policies, procedures, and how those were carried out elevated the risk of errors, potential noncompliance, undetected issues, and reliance on informal and inconsistent processes.

Policies and Procedures Did Not Reflect Current Organizational Complexity

Observation: Most policies and procedures had not been updated from the original 2021 versions, and some remained in draft form. As a result, many critical policies did not reflect the organization's current size, complexity, risk profile, or operating environment. KCRHA's size and current operating environment and internal/external risk profile is completely different than it was in 2021

Impact: Outdated and incomplete policies did not reflect how the organization currently operated, which increased the risk of inconsistent practices, unclear accountability, and gaps in internal control.

Recommendation: The organization should perform a comprehensive review of policies and procedures to ensure they accurately reflect current operations, risks, and organizational complexity. Once established, policies should be monitored for compliance and effectiveness and updated as needed.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)

April 17, 2026

Opportunities and Recommendations for Improvement

Providing narrow, standalone recommendations is not practical because the issues at KCRHA are interrelated and reflect systemic conditions rather than a single root cause, event, or management team. While historical factors and root causes may vary, current management should focus on operating an effective and sustainable organization with appropriate stewardship over public funds. Proactively addressing the conditions described in this report is important to achieving those objectives.

The recommendations below outline fundamental, high-priority areas that should be addressed to resolve ongoing challenges related to cash management, financial transparency, internal controls, and compliance.

Obtain a Complete and Reliable Picture of Cash

- Address Receivables:
 - Prepare a detailed reconciliation of all receivables by Funder and invoice, including status, collectability, and remaining steps required to convert balances to cash.
 - Develop and document a resolution path with defined timelines, monitoring, and management oversight.
 - This effort may require reconstruction of accounting records prior to late 2024 due to the journal entry-based accounting practices and limited transaction-level traceability.
- Clarify Use and Availability of Advance Funds:
 - Perform a comprehensive reconciliation of all advance funds received, including how funds were applied to programs and operations and the balances remaining.
 - Given the lack of a formal tracking mechanism and limited historical traceability, this effort may require significant time and analysis.
- Implement a Cash Management Plan:
 - Develop a forward-looking cash management plan that incorporates contractual obligations, expected reimbursements, and available advance funds. The plan should be monitored on a regular basis.

Implement a Complete and Consistent GAAP-Based Monthly Close and Reporting Process

- Configure NetSuite to meet KCRHA's financial and reporting requirements.
- Establish a disciplined monthly close process that includes, at a minimum:
 - Full reconciliation of balance sheet accounts, including in-system cash reconciliations.
 - GAAP-based monthly accruals and related entries
 - Full analysis of income and expense trends
 - Budget-to-actual analysis
 - Cash flow analysis and forecasting.
- Develop a standardized, system-generated internal reporting package that includes:
 - Core monthly financial statements by program and/or major funding stream.
 - Supporting detailed schedules for significant balances, including accounts receivable and unearned revenue
 - Cash summaries that tie inflows and outflows to bank reconciliations
 - Grant-level financial reporting, including budget-to-actuals, expenditure detail, and billed vs. received funding.
 - Indirect and administrative cost allocation summaries supported by documented methodologies.
 - Establish an executive-level reporting package that highlights key risks, variances, outstanding reimbursements, and programs nearing budget exhaustion, among other key metrics.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)

April 17, 2026

Opportunities and Recommendations for Improvement (Continued)

Improve the Invoice and Reimbursement Process

- Conduct a process review of invoicing and reimbursement workflows.
- Document current processes, including data flows, control points, roles, and approval responsibilities.
- Identify design weaknesses, bottlenecks, and communication gaps contributing to delays or errors.
- Capture and analyze invoicing errors as they occur, including root causes.
- Redesign workflows as needed and establish ongoing monitoring to measure improvement.

Strengthen Budget Management, Oversight, and Reporting

- Establish grant and administrative level budgets within the accounting system.
- Require monthly budget-to-actual reporting with variance analysis at the grant, program, and administrative level.
- Clearly define budget monitoring responsibilities across finance and program leadership
- Integrate budget oversight into the monthly close process.
- Standardize budget amendment procedures and strengthen escalation protocols to identify and address overspending in a timely fashion.

Implement and Document an Internal Control Framework Aligned With COSO

- Perform a COSO-based risk assessment aligned to KCRHA's operational, reporting, and compliance objectives.
- Design, document, and implement a full set of internal controls using a risk-based approach, with regular monitoring.
- Establish a formal risk management program with clear ownership and escalation pathways.
- Update policies and procedures to reflect the current organizational structure and evolving risks. Internal control expectations should be embedded in the policies and procedures.

Review and Align With Uniform Guidance (2 CFR Part 200)

- Conduct a Uniform Guidance readiness assessment.
- Perform an indirect cost rate analysis and evaluate opportunities to improve cost recovery.
- Negotiate indirect cost rates with Funders where appropriate.
- Document allocation methodologies for both federal and non-federal funding.
- Align financial management, internal controls, cost allowability, and budget practices with Uniform Guidance requirements.
- Provide targeted training on grants compliance, documentation standards, and revised processes.

Successful remediation will likely require a significant amount of time, financial resources, and organizational focus. Meaningful improvement will also require a carefully managed project sequence, while simultaneously maintaining adequate operational capacity for day-to-day operations.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Forensic Evaluation of King County Regional Homelessness Authority (Continued)
April 17, 2026

Opportunities and Recommendations for Improvement (Continued)

Where internal resources are insufficient, the use of external accounting, advisory, and project management support should be considered. We would recommend the following types of services to address the issues at KCRHA.

- Uniform Guidance Assessment and Assistance With Recommendations
- Indirect Cost Rate Analysis and Proposal
- Reconstruction of Historical Accounting Records
- COSO Based Risk Assessment and Internal Control Design
- Risk Management Program Consulting
- NetSuite Customization Consulting
- Project Management Consulting
- CFO Hire (annual)
- Additional Accounting Staff
- Process Audit Consulting

If performed entirely by external professionals, the services outlined above would likely result in significant costs and extended time requirements.

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Appendix A - Scope and Approach to Forensic Evaluation

April 17, 2026

Planning and Information Requests

Planning

We will hold an entrance conference with the City and County management to discuss:

- Timing of procedures and availability of staff
- Timing and form of periodic updates
- Identification of who will need access to the project's secure information sharing portal
- Expectations for the final product from these services
- Any specific concerns management has had and would like addressed as part of this project
- Finalization of scope (if needed)

Information Requests

We will request relevant administrative and financial information for the stated date range, including, but not limited to:

- Full Chart of Accounts, including descriptions and account types
- Accounting policies and procedures manual
- Cost center hierarchy and definitions
- Revenue recognition policies
- Cash management policies
- Expense tracking and allocation methodologies
- Monthly and annual financial statements
- External audit reports and related management comment letters
- Internal audit reports (if available)
- Approved annual budgets
- Any recent accounting system implementation or changes
- Organizational chart showing financial reporting lines
- Documentation of segregation of duties and approval workflows
- List of key personnel involved in financial processes
- Use and Allocation of Contributed Funds
 - Interagency Memoranda of Understanding (MOU or similar) with City and County
 - Contribution agreements and grant documentation
 - Fund allocation schedules and methodologies
 - Reports submitted to the City and County regarding fund usage
 - Budget vs. actual reports for contributed funds
- Negative Cash Balance Position
 - Detailed transaction history of the King County Investment Pool
 - Monthly cash flow statement
 - Bank reconciliation and cash position reports
 - Internal correspondence or memos discussing cash shortfalls
- Cash Advance Evaluation and Reconciliation
 - Records of all cash advances received and disbursed
 - Supporting documentation for use of advanced funds
 - Reconciliation schedules and timing analysis
 - Approval workflows and authorization documentation

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Appendix A - Scope and Approach to Forensic Evaluation

April 17, 2026

Planning and Information Requests (Continued)

- Cash Management Process
 - Accounts payable and receivable aging reports
 - Disbursement and reimbursement approval protocols
 - Bank account listings and signatory authorization
 - Cashflow budgets and forecasts
- Governance and Oversight
 - City Council, Mayoral, and County Council minutes and communications related to cash management issues, usage of funds, and related activity at KCRHA
- Technology Access Requests
 - We will request online access, where available, for the following (view-only)
 - Accounting system
 - Budget and forecasting tools
 - Document management systems
 - Bank portals or treasury management systems

Forensic Evaluation Fieldwork

Evaluate Negative Cash Balance Position

- Obtain detailed transaction history from the King County Investment Pool
- Reconstruct cash flow timelines to identify timing gaps between inflows and outflows
- Analyze trends in cash balances over time and correlate with major funding or spending events
- Identify any internal borrowing or fund transfers used to cover cash shortfalls
- Interview treasury or financial staff regarding cash management practices and constraints

Identify Gaps in the Cash Management Process

- Review cash handling protocols to assess how funds are received, recorded, and deposited, evaluating for proper segregation of duties and presence of physical access controls
- Analyze disbursement workflows by tracing a sample of transactions from initiation to payment, checking for proper authorization, documentation, and compliance with policies
- Evaluate reconciliation practices by examining how frequently and accurately cash accounts are reconciled, and whether discrepancies are investigated and resolved promptly
- Assess monitoring and reporting tools used to track cash balances, outstanding obligations, and liquidity
- Interview key personnel involved in cash operations to understand informal practices, uncover process bottlenecks, and identify opportunities for control enhancements

Reconcile and Evaluate Cash Advances

- Obtain a schedule of all cash advances received and their intended purpose
- Trace advances to bank deposits and general ledger entries
- Reconcile expenditures to advanced amounts and identify any unspent or misused funds
- Review timing of expenditures relative to receipt of funds to identify delays or mismatches
- Evaluate documentation supporting the use of advanced funds

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Appendix A - Scope and Approach to Forensic Evaluation

April 17, 2026

Use and Allocation of Advanced Funds

- Obtain a schedule of all cash advances received and other intended purposes
- Trace advances to bank deposits and general ledger entries
- Reconcile expenditures to advanced amounts and identify any unspent or misused funds
- Review timing of expenditures relative to the receipt of funds to identify delays or mismatches
- Evaluate documentation supporting the use of advanced funds

Use and Allocation of Contributed Funds

- Obtain and review all MOU's and funding agreements with the City and County
- Trace fund receipts from the City and county to the general ledger and bank deposits
- Analyze allocation methodologies for compliance with agreement terms
- Test a sample of expenditures charged to contributed funds for appropriateness and support
- Review reports submitted to Funders for accuracy and completeness
- Identify and commingling of funds or deviations from intended use

Evaluate Accounting Infrastructure and Reporting Systems

- Review of the chart of accounts for logical structure and alignment with operational activities
- Evaluate general ledger maintenance practices, including journal entry controls and audit trails
- Examine cost center set up and usage for consistency and traceability of program costs
- Analyze revenue recognition policies and compare them to actual revenue postings
- Review expense tracking mechanisms and test a sample of transactions for proper classification
- Interview finance personnel to understand workflows and system limitations
- Assess the timeliness and accuracy of internal financial reporting

Governance and Policies and Procedures*

- *Note: This section was included to provide additional contextual information related to the work performed and does not reflect an expansion of the scope defined in the contractual Statement of Work.
- Identify Higher-Risk Areas for Potential Fraud, Waste, and Abuse
- Evaluate effectiveness of Policies and Procedures

Higher Risk Areas for Fraud, Waste, and Abuse*

- *Note: This section was included to provide additional contextual information related to the work performed and does not reflect an expansion of the scope defined in the contractual Statement of Work.
- Identify higher-risk areas for potential fraud, waste, and abuse

CITY OF SEATTLE HUMAN SERVICES DEPARTMENT

Appendix A - Scope and Approach to Forensic Evaluation April 17, 2026

Recommendations for Best Practices*

- *Note: This section title evolved into “Opportunities and Recommendations for Improvement” in the report which is based on best practices
- Identify gaps in internal controls and recommend enhancements
- Suggest improvements to fund tracking, reporting, and reconciliation processes
- Recommend training or system upgrades to improve financial transparency and accuracy

Reporting

- Draft and issue report
- Present to City and County Councils and/or other identified stakeholders