



Office of the Washington State Auditor  
Pat McCarthy

## Accountability Audit Report

# King County Regional Homelessness Authority

For the period January 1, 2024 through December 31, 2024

*Published November 26, 2025*

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**Office of the Washington State Auditor  
Pat McCarthy**

November 26, 2025

Governing Board  
King County Regional Homelessness Authority  
Seattle, Washington

**Report on Accountability**

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Authority operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the Authority's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and value your cooperation during the audit.

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

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## TABLE OF CONTENTS

Audit Results.....	4
Schedule of Audit Findings and Responses.....	5
Summary Schedule of Prior Audit Findings .....	11
Related Reports.....	14
Information about the Authority .....	15
About the State Auditor's Office.....	16

# AUDIT RESULTS

## Results in brief

This report describes the overall results and conclusions for the areas we examined. In most of the areas we examined, Authority operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

As referenced above, we identified areas where the Authority could make improvements. These recommendations are included with our report as a finding.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

## About the audit

This report contains the results of our independent accountability audit of the King County Regional Homelessness Authority from January 1, 2024 through December 31, 2024.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the Washington State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the Authority's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the year ended December 31, 2024, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Financial condition – reviewing for indications of financial distress
- Funding model
- Rental assistance program - reviewing rental payments
- New software implementation - review of grant management system
- Open public meetings – compliance with minutes, meetings and executive session requirements

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### King County Regional Homelessness Authority January 1, 2024 through December 31, 2024

#### **2024-001 The Authority's funding model resulted in a negative cash balance at year-end, placing its service levels and future obligations at risk.**

##### *Background*

The King County Regional Homelessness Authority was created in 2020 and is in its fourth year of operations. The Authority provides consolidated services aligned for individuals and families who are experiencing homelessness or facing imminent risk of experiencing homelessness in the jurisdictional boundaries of King County. The Authority is a regional, independent governmental agency created pursuant to an Interlocal Agreement between King County and the City of Seattle in December 2019. In October 2024, the City and the County updated the Interlocal Agreement from an initial term of five years to a term that continues in effect for an indefinite period until either party terminates it with at least 12 months' notice.

The Authority has no dedicated funding sources such as property taxes, sales taxes or service fees. Its primary revenue sources are grants from the City of Seattle and King County through reimbursement of grant expenditures.

The Authority enters into Master Service Agreements (MSAs) with the City of Seattle and King County each year that outlines the funding the Authority will receive. The Authority cannot request reimbursement until the MSAs are signed, and has historically relied on cash advances from the City and County.

The Authority must pay its providers for services before it can request reimbursement from its granting agencies. The time it takes the Authority to receive this reimbursement varies based on how long it takes to submit the request and the granting agencies to process it. This service model is also seasonal, which results in increased disbursements toward the end of the year because colder winter weather causes an increased demand for homelessness services.

In 2024, the City of Seattle contributed local funds of \$72,255,529 and passed through federal grants of \$4,935,017 to the Authority; King County contributed state and local funds of \$31,703,454 and passed through federal grants of \$1,287,713.

We reported the Authority's funding model concerns as an audit finding in the prior audit.

## Description of Condition

As a result of the funding model, there is a significant timing difference between when the Authority pays providers and receives cash, resulting in a negative cash balance for parts of the year.

We analyzed the Authority's cash balances and financial statements and noted the following concerns:

- Total 2024 expenses were about \$4 million more than total revenue.
- The following table shows the Authority's cash balances according to its bank statements. While the Authority earned interest for positive cash balances, it paid more in interest expense for its negative cash balances. As a result of the Authority's inability to maintain a positive cash balance, interest expenses were \$849,851 more than interest earnings as of August 2025.

	2024		2025	
	Total Ending Cash per Bank Statements	Gross Interest Earnings (Expense)	Total Ending Cash per Bank Statements	Gross Interest Earnings (Expense)
January	(\$1,548,034)	(\$12,691)	(\$36,733,935)	(\$112,074)
February	(\$8,880,127)	(\$12,092)	(\$35,860,964)	(\$117,746)
March	(\$21,452,936)	(\$43,535)	(\$12,196,465)	(\$123,691)
April	(\$23,282,315)	(\$63,576)	(\$19,839,044)	(\$51,028)
May	(\$42,417,404)	(\$102,827)	(\$27,795,730)	(\$79,777)
June	(\$43,174,610)	(\$153,546)	(\$37,441,995)	(\$127,379)
July	(\$11,976,767)	(\$122,037)	(\$44,756,183)	(\$158,554)
August	\$7,508,158	\$48,354	(\$22,655,872)	(\$79,603)
September	\$2,127,360	\$30,795		
October	(\$4,941,240)	\$9,504		
November	(\$16,636,652)	(\$28,883)		
December	(\$33,709,418) <sup>1</sup>	(\$66,444)		
<b>Total</b>		<b>(\$516,978)</b>		<b>(\$849,851)</b>

<sup>1</sup> This amount per the bank statement is different than ending cash per the financial statements due to reconciling items.

- The Authority reported a negative balance of (\$35,860,666)<sup>1</sup> in the King County Investment Pool and was assessed overdraft interest fees totaling \$605,631 in nine of 12 months in 2024.
- The Authority is projected to end December 2025 with a negative cash balance of (\$30,413,000), which increases its risk of being assessed more overdraft interest fees and interest expenses.
- As of December 31, 2024, the Authority received a cash advance of \$58,391,760 from the City of Seattle to meet cash needs. The Authority foresees needing additional advances to meet financial needs in the future.

In addition, we analyzed the following financial indicators for fiscal year 2024 as follows:

- Fund Balance Sufficiency shows the number of days a government could operate based solely on its ending fund balance; 60 days is generally considered healthy. As of December 31, 2024, the Authority's Fund Balance Sufficiency was negative (24.9) days. This means the Authority had more expenditures than funds available to pay them in its general fund.
- The current ratio shows how many times a government's current assets can cover current liabilities. The Authority's current ratio decreased from .99 in 2023 to 0.93 in 2024. A current ratio less than 1.0 implies the Authority has more immediate obligations than assets available to make payments and will need to either borrow funds or receive excess revenue soon.
- The Authority's net position decreased from \$1,534,222 in 2023 to (\$2,502,652) in 2024. A negative change in net position implies the Authority used more resources than it received by spending down assets, increasing liabilities or a combination of both.

Since the prior year finding, Authority management has taken the following steps:

- Engaged with its governing board regarding the funding model, the impact on cash flow, and the fiscal strategies necessary to sustain operations and identify prompt, sustainable solutions
- Presented the funding model and negative cash flow concerns to King County Council's Committee of the Whole
- Partner with the City of Seattle and King County to shorten the reimbursement timeline, including closer and more frequent collaboration to track and resolve invoicing and remittance questions
- Streamlined processes to monitor spending by using customized reporting from their new grants management system

Collaborated with the City of Seattle and King County to identify approaches to improve cash flow, including taking steps to formalize recurring cash advances and apply for loans

### ***Cause of Condition***

Although the Authority tracks and monitors its financial health, other factors contribute to the financial concerns noted above; this includes the timing of when it contracts with service providers, completing timely annual MSAs with the City of Seattle and King County, and the reimbursement model.

The Authority cannot request reimbursement for payments until the MSAs are signed. In 2024, the City of Seattle's MSA was signed four months after the intended effective date and King County's was signed nine months after the intended effective date.

After the MSA was signed, the Authority experienced additional delays while the funding agencies reviewed, approved and processed the payment reimbursements.

### ***Effect of Condition***

As a result of the funding model, the Authority frequently relies on informal cash advances to pay its expenses. When it does receive cash from the City of Seattle and King County, the Authority must use some of those funds to pay interest fees. Negative and insufficient cash balances puts the Authority at risk of being unable to maintain current service levels or meet future obligations.

### ***Recommendation***

We continue to recommend the Authority's Governing Board work with its stakeholders to ensure long-term sustainability of its operations by:

- Amending the current Interlocal Agreement to implement a new funding model that would produce positive cash flows to sustain current and future obligations
- Developing a funding plan that results in sufficient and positive cash flows and positive cash balances
- Working with the granting agencies to develop an efficient and effective review and approval process to ensure the Authority receives prompt reimbursement of grant funds

## ***Authority's Response***

*The Authority appreciates the auditor's professional efforts and the detailed report highlighting the significance of the Authority's cash balance and its associated risks. The report accurately details how the current funding model continues to contribute to the finding conditions, with the primary challenge being the absence of a dedicated revenue source. Without such a source, the Authority has no debt-free mechanism to build cash reserves and prevent a negative fund balance. Additionally, the current disbursement-first cash operations—where the Authority must pay service providers before receiving funder reimbursements—further compound the cash flow challenges.*

- ***Continued Engagement with Governing Bodies and Stakeholders:*** *The Authority management will continue working closely with the governing bodies to develop and secure consistent cash advances and explore additional solutions, including reserves, interfund loans, or other funding mechanisms within our funders' authority. Given the number of stakeholders involved, it is essential that their voices are carefully considered. The Authority's leadership will continue to actively engage with the Board and funding partners to ensure a comprehensive understanding of the Authority's funding model, its impact, and potential solutions. While an Interlocal Agreement (ILA) amendment may offer a long-term resolution, the Authority will continue to leverage immediate and feasible solutions to address the audit finding to prevent the need for future amendments.*
- ***Continued and Ongoing Collaboration with City and County Leaders:*** *Productive discussions with King County, the City of Seattle, Council Members, and Board Members have been continuing to establish regular advances, interfund loan, and other financial strategies to prevent future negative cash positions. These conversations will continue to be a priority.*
- ***Continued Enhancements to the Reimbursement Process:*** *The Authority has significantly improved the reimbursement process and is continuing to collaborate with the City and County to identify further efficiency enhancements. Shortening the reimbursement timeline will be critical to ensuring timely fund availability and reducing the likelihood of future negative cash balances.*

*The Authority remains committed to implementing these solutions while maintaining financial stability and ensuring continued support for the essential services.*

### ***Auditor's Remarks***

We appreciate the steps the Authority is taking to resolve this issue. We will review the condition during our next audit.

### ***Applicable Laws and Regulations***

RCW 43.09.200, Local government accounting-Uniform system of accounting.

The *Budgeting, Accounting and Reporting System* (BARS) Manual, Chapter 3, Accounting Principles and Internal Control.



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### King County Regional Homelessness Authority January 1, 2024 through December 31, 2024

This schedule presents the status of findings reported in prior audit periods.

<b>Audit Period:</b> 2023	<b>Report Ref. No.:</b> 1036679	<b>Finding Ref. No.:</b> 2023-001		
<b>Finding Caption:</b> The Authority’s funding model resulted in a negative cash balance at year-end placing its service levels and future obligations at risk.				
<b>Background:</b> As a result of the funding model, there is a significant timing gap between when the Authority pays providers and receives cash, resulting in a negative cash balance for parts of the year. We analyzed the Authority’s cash balances and financial statements and noted the following concerns: <ul style="list-style-type: none"> <li>• Total expenses of \$173,158,265 in 2023 were more than total revenue of \$172,639,035.</li> <li>• The following table shows the Authority’s cash balances per the bank statements during 2023 and 2024. While the Authority earned interest for positive cash balances, it paid more in interest expense for its negative cash balances, meaning the Authority’s inability to maintain a positive cash balance resulted in interest expenses outpacing interest earnings by \$431,155 as of September 2024.</li> </ul>				
	<b>2023</b>	<b>2024</b>		
	<b>Total Ending Cash per Bank Statements</b>	<b>Gross Interest Earnings (Expense)</b>	<b>Total Ending Cash per Bank Statements</b>	<b>Gross Interest Earnings (Expense)</b>
January	(\$1,152,797)	\$2,115	(\$1,548,034)	(\$12,691)
February	\$2,303,778	\$5,982	(\$8,880,127)	(\$12,092)
March	(\$3,513,269)	(\$4,725)	(\$21,452,936)	(\$43,535)
April	(\$8,886,426)	(\$7,308)	(\$23,282,315)	(\$63,576)
May	\$7,256,997	(\$15,600)	(\$42,417,404)	(\$102,827)
June	\$10,178,394	\$28,687	(\$43,174,610)	(\$153,546)
July	\$7,902,412	\$27,848	(\$11,976,767)	(\$122,037)
August	\$2,630,101	\$33,409	\$7,508,158	\$48,354
September	\$12,852,159	\$17,417	\$2,127,360	\$30,795
October	\$6,245,816	\$39,354		
November	\$4,181,072	\$34,664		
December	(\$6,900,429) <sup>1</sup>	(\$6,823)		
<b>Total</b>		<b>\$155,019</b>		<b>(\$431,155)</b>

<sup>1</sup> This amount per the bank statement is different than ending cash per the financial statements due to reconciling items.

- The Authority reported negative cash on the financial statements of \$6,788,1822 as of December 31, 2023, because of increased demand for services due to the colder weather. As a result of this negative balance, the Authority was assessed overdraft interest fees in March, April, May, and December of 2023 totaling \$34,456 for the overdrawn account.
- The Authority is projected to end December 2024 with a greater negative cash balance of \$13,285,000. This risks more overdraft interest fees, and additional expense to the Authority due to its inability to maintain a positive cash balance.
- As of December 31, 2023, the Authority received a cash advance of \$19,098,404 from the City to meet cash needs. The Authority foresees needing additional cash advances to meet financial needs in the future.

In addition, the Authority’s financial indicators for fiscal year 2023 showed:

- Fund Balance Sufficiency shows the number of days a government could operate based solely on its ending fund balance; 60 days is generally considered healthy. As of December 31, 2023, the Authority’s Fund Balance Sufficiency was negative 73 days. This means the Authority had more expenditures than funds available to pay them in its general fund.
- The current ratio shows how many times a government’s current assets can cover current liabilities. The Authority’s current ratio decreased from 1.02 in 2022 to 0.99 in 2023. A current ratio less than 1.0 implies the Authority has more immediate obligations than assets available to make payments and will need to either borrow funds or receive excess revenue soon.
- The Authority’s net position decreased from \$1,538,358 in 2022 to \$1,019,128 in 2023. A negative change in net position implies the Authority used more resources than it received by spending down assets, increasing liabilities or a combination of both.

**Status of Corrective Action: (check one)**

Fully  
Corrected

Partially  
Corrected

Not Corrected

Finding is considered no  
longer valid

**Corrective Action Taken:**

***Governing Board Engagement***

*KCRHA leadership has been in ongoing dialogue with our Governing Board to ensure alignment on the agency's funding model, the resulting impact on cash flow, and the fiscal strategies necessary to sustain operations. These conversations continue to inform how we engage our funders in identifying timely solutions.*

***Advances***

*KCRHA currently receives an advance from King County at the beginning of each year for all local funds, which helps provide early-year stability. Historically, the City of Seattle issued monthly advances, which proved effective in maintaining a positive fund balance. In FY2024, however, the City shifted to less frequent advances, contributing to more severe cash constraints.*

*For FY2025, the City of Seattle adopted a revised advance policy for KCRHA. This policy establishes a framework for advance funding every quarter, contingent on the City of Seattle's advance policy.*

***Ongoing Partnership with Funders***

*KCRHA continues to engage funders in identifying short- and medium-term approaches to improve cash flow management. These include:*

*Implementing quarterly advances;*

*Applying for an interfund loan through the King County Investment Pool;*

*Establishing a cash reserve to buffer seasonal fluctuations;*

*Streamlining the reimbursement timeline to improve liquidity.*

***Commitment to Financial Stewardship***

*KCRHA remains committed to improving internal processes and working with our partners to ensure timely, accurate financial reporting and sustainable fiscal operations. The corrective actions outlined above reflect our intention to address the identified issues while continuing to support uninterrupted service delivery to our community.*

## RELATED REPORTS

### **Financial**

Our opinion on the Authority's financial statements and compliance with federal grant program requirements is provided in a separate report, which includes the Authority's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

That report includes a finding for a material weakness in internal controls over financial reporting regarding procedures for reporting and presentation of deferred inflows of resources, unassigned fund balance, net receivables, and unearned revenues during fiscal year 2024.

### **Federal grant programs**

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the Authority's major federal programs, which are listed in the Schedule of Findings and Questioned Costs section of the separate financial statement and single audit report. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

## INFORMATION ABOUT THE AUTHORITY

The King County Regional Homelessness Authority (the Authority) is a regional, independent governmental agency created pursuant to an Interlocal Agreement between King County and the City of Seattle per RCW 39.34 in December 2019. The Authority started up operations in the middle of 2021 and provides consolidated services aligned for individuals and families who are experiencing homelessness or who are facing imminent risk of experiencing homelessness in the jurisdictional boundaries of King County.

The Interlocal Agreement was amended on November 7, 2024, to streamline the governance structure and improve oversight and accountability. As of the Amendment effective date, the Implementation Board and Governing Committee created under the original ILA are superseded and replaced by a Governing Board which is comprised of elected officials serving ex officio and other members representing individuals with Lived Experience, totaling 12 members.

The Governing Board acts as the governing and oversight body for the Authority and is responsible for setting strategic policy direction, providing fiscal oversight, and ensuring the Authority is making adequate progress in fulfilling its mission. For operations in 2024, budgeted revenues and expenditures were approximately \$224 million.

### Contact information related to this report

Contact:	Tiffany Brooks, Deputy Chief Financial Officer
Telephone:	(206) 635-0092
Website:	<a href="https://kcrha.org/">https://kcrha.org/</a>

*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for the King County Regional Homelessness Authority at <https://portal.sao.wa.gov//ReportSearch>.

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

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