



Transmittal Memo

To: Mayor Katie Wilson; Executive Girmay Zahilay;
Cc: KCRHA Governing Board
From: Dr. Kelly Kinnison, Chief Executive Officer
Date: May 22, 2026
Re: Transmittal of KCRHA Corrective Action Plan

Attached is KCRHA's Corrective Action Plan (CAP), submitted in response to the Clark Nuber forensic evaluation and the April 22, 2026 letter from the City of Seattle and King County.

KCRHA recognizes the seriousness of the findings and observations identified through the forensic evaluation. The deficiencies identified in financial management, reconciliation, documentation, internal controls, and governance oversight require substantial corrective action. They also require KCRHA to rebuild confidence through demonstrated execution, documentation, verification, and sustained oversight.

The attached CAP is intended to serve two functions. First, it provides a direct corrective action response to the financial, accounting, control, and governance issues identified through the forensic evaluation. Second, it provides a stabilization and decision-support framework for regional leaders as we evaluate the future-state operating model for KCRHA and the broader homelessness response infrastructure in King County.

Our goal is to address the findings promptly, while also protecting provider payment continuity, Continuum of Care responsibilities, HMIS/Data Hub infrastructure, Coordinated Entry, and other core regional functions that now operate through KCRHA. The CAP proposes a structured implementation framework that includes Finance Committee oversight, milestone-based reporting, corrective action tracking, funder coordination, and external stabilization support where approved. The plan is built around recurring review, documentation, external support where needed, and transparent escalation of unresolved risks to funders and Governing Board.

Many activities identified in the CAP are already occurring in some form as part of KCRHA's continuous improvement efforts related to day-to-day finance, contracting, reimbursement, compliance, and governance operations. The corrective action focus is to strengthen, document, standardize, reconcile, and govern those practices so they are reliable, auditable, and visible through a CAP dashboard and Finance Committee oversight.

Initial 60-Day Implementation Priorities

Over the first 60 days following submission of the CAP, KCRHA will prioritize the following implementation deliverables:

- initial categorization of the receivables associated with the approximately \$8M finding;
- development or refinement of the KCIP/cash-flow reconciliation schedule;
- completion of the fund advance inventory and roll-forward template;
- updated administrative overspend status and administrative budget forecast;
- confirmation of immediate control enhancements related to reimbursements, gift cards, P-cards, and segregation of duties;
- update and formalization of the monthly close checklist and financial reporting package;
- formalization of the CAP implementation dashboard and Finance Committee reporting cadence;
- proposed scope and decision pathway for external stabilization support;
- structured City/County/KCRHA work sessions on reimbursement, advances, receivables, and cash-flow model issues.

These priorities are intended to establish Phase I of the implementation workplan and status-reporting structure. Completion of specific items may depend on available staffing capacity, funder coordination, documentation availability, procurement timing, and approval of external stabilization support.

A central feature of the CAP is KCRHA's recommendation for external stabilization support. This is a practical, time-limited way to establish a credible current-state baseline, validate priority financial issues, support urgent remediation, and help KCRHA, the City, and the County work from a shared source of truth. KCRHA is not proposing an open-ended consulting engagement; any external stabilization support should be phased, scoped, cost-controlled, and subject to approval at defined decision points.

KCRHA accepts responsibility for correcting its internal deficiencies. At the same time, several of the highest-priority issues — including reimbursement timing, fund advances, KCIP exposure, backend funding adjustments, invoice review workflows, and administrative funding structure — cross organizational boundaries. Durable resolution will require active partnership by KCRHA, the City of Seattle, and King County. KCRHA owns its internal failures; the region must jointly fix the shared operating model.

KCRHA has serious work to do. We are committed to doing that work with urgency, transparency, and accountability. The attached plan is not the end of the corrective action

process. It is the structure for beginning the next phase of disciplined management and regional decision-making for the homelessness response system.

I look forward to working with the City, County, Governing Board, Finance Committee, providers, and regional partners to continue to stabilize KCRHA, protect critical homelessness response infrastructure, and build the financial and governance systems this work requires.

KCRHA Corrective Action Plan (CAP)

May 22, 2026

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Acronyms and Key Terms

Acronym / Term	Meaning
AR	Accounts Receivable
ADS	Associate Deputy, Strategy
CAP	Corrective Action Plan
CE	Coordinated Entry, system used to connect people experiencing homelessness to housing and service pathways
CBO	Chief Business Officer
City	City of Seattle
CoC	Continuum of Care
COSO	Committee of Sponsoring Organizations of the Treadway Commission internal control framework
County	King County
CFO	Chief Financial Officer
CPO	Chief Program Officer
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GL	General Ledger
Green Book	GAO Standards for Internal Control in the Federal Government

HMIS	Homeless Management Information System
HUD	U.S. Department of Housing and Urban Development
ILA	Interlocal Agreement
KCIP	King County Investment Pool
KCRHA	King County Regional Homelessness Authority
NetSuite	KCRHA's accounting / enterprise resource planning system
P-card	Purchasing card
SAO	Washington State Auditor's Office
SEFA	Schedule of Expenditures of Federal Awards
Uniform Guidance / 2 CFR Part 200	Federal rules governing administrative requirements, cost principles, and audit requirements for federal awards
WA-500	Seattle/King County Continuum of Care designation
Working capital	Cash or other financing capacity needed to manage timing gaps between provider payments and funder reimbursements

CAP at a Glance

KCRHA acknowledges the seriousness of the Clark Nuber forensic evaluation findings and the need for substantial corrective action, strengthened financial management systems, improved internal controls, and more durable governance oversight.

This Corrective Action Plan (CAP) moves KCRHA from acknowledgment of the findings to structured implementation, documentation, verification, and sustained oversight. It is also intended to support regional decision-making by identifying external support, governance

structures, and continuity considerations needed to protect critical homelessness response infrastructure.

The CAP is organized to make KCRHA’s response to the forensic evaluation immediately clear. Workstreams are presented below in this section. Appendix A provides the corrective action matrix by evaluation theme as presented in Clark Nuber’s report. It identifies corrective actions underway or planned, and where implementation requires City/County/KCRHA coordination because the issue sits within shared reimbursement, advance, funding, or cash-flow workflows.

Corrective Action Workstreams

Corrective Action Workstream	Primary Issues Addressed	Initial 60-Day Focus	Oversight / Verification
Cash, KCIP, and Fund Advances	Negative KCIP balance; interest exposure; cash management; fund advances; reimbursement timing	Develop or refine KCIP/cash-flow reconciliation schedule; complete fund advance inventory and roll-forward template; identify initial working-capital options	Finance Committee; City/County funder coordination; dashboard reporting
Receivables, Reimbursement, and Unbilled Revenue	Approximately \$8M receivables finding; unbilled revenue; invoicing; reimbursement timing; invoice rejection/rework	Initial AR categorization by funder, invoice, period, and recovery status; recovery/rebilling/adjustment pathway; rejected-cost and invoice-delay tracking	Finance Committee; funder validation; external review where approved
Accounting Infrastructure, Reporting Systems, and Controls	NetSuite configuration; chart of accounts; cost centers; close process; documentation; permissions; segregation of duties; manual workbooks	Close checklist; permissions matrix; COA / NetSuite / reporting assessment; reimbursement, P-card, and gift-card reviews	Executive leadership; Finance Committee; audit-readiness documentation

Administrative Budget and Cost Structure	Administrative overspend; KCIP interest; Salesforce; legal/consulting; temporary staffing; indirect/admin funding	Validate remaining administrative overspend exposure; updated administrative budget forecast; strengthen monthly budget-to-actual reporting; administrative sustainability analysis	Finance Committee; Governing Board updates; funder review where needed
Governance, External Stabilization, and Shared Operating Model	CAP implementation; Finance Committee; funder coordination; external support; shared operating model; decision rights	Formalize CAP implementation dashboard and reporting cadence; develop external stabilization scope and decision path; initiate or formalize City/County/KCRHA work sessions	Finance Committee; Governing Board; City/County funders

Timeline and Capacity Assumptions

The milestones in this CAP are tied to the May 23, 2026 submission date. For implementation planning purposes:

- 30-day milestones are targeted for completion or initial status reporting by approximately **June 22, 2026**;
- 60-day milestones are targeted by approximately **July 22, 2026**;
- 90-day milestones are targeted by approximately **August 21, 2026**.

These dates are intended to establish urgency, sequencing, and accountability, while recognizing that some workstreams will require funder coordination, documentation validation, Finance Committee review, procurement steps, or external support.

KCRHA’s ability to meet these milestones will depend on available implementation capacity. Current internal finance and administrative capacity is limited, and several remediation workstreams require specialized accounting, reconciliation, grants-management, public-sector finance, systems, and project-management expertise. KCRHA is actively working to add needed finance capacity, pending approval from the Governing Board. Delays in securing staff capacity, approval authority, or external technical support may affect the pace of implementation, but will not change KCRHA’s obligation to maintain transparent reporting, identify barriers promptly, and escalate resource constraints through the Finance Committee, Governing Board, and funder coordination process.

Initial 30–60 Day Priorities

Over the first 30-60 days following submission of the CAP — through approximately July 22, 2026 — KCRHA will prioritize the following deliverables with biweekly updates to the Finance Committee and a written 30-day status update by June 22, 2026:

1. formalizing the CAP implementation dashboard and reporting cadence;
2. completing initial categorization of the receivables associated with the approximately \$8M finding;
3. developing or refining a KCIP/cash-flow reconciliation schedule;
4. completing a fund advance inventory and roll-forward template;
5. formalizing a rejected-cost and invoice-delay tracking mechanism;
6. validating remaining administrative overspend exposure and updating an administrative budget forecast;
7. confirming immediate control enhancements related to reimbursements, gift cards, P-cards, and segregation of duties;
8. updating the monthly close checklist and financial reporting package;
9. initiating a NetSuite / chart-of-accounts / cost-center reporting assessment;
10. developing the proposed scope and decision pathway for external stabilization support;
11. beginning structured City/County/KCRHA work sessions on reimbursement, advances, receivables, and cash-flow model issues.

These priorities are intended to establish the implementation workplan and reporting structure for Phase I. Completion of specific items may depend on available staffing capacity, funder coordination, documentation availability, Finance Committee and governance review, procurement timing, and approval of external support. Where capacity constraints or external dependencies affect timing, KCRHA will identify those barriers through the CAP dashboard and escalate them through the appropriate oversight pathway. High-level priorities for Phases II and III are also presented in the CAP.

The CAP distinguishes between two related but different bodies of work:

1. **Historical cleanup and reconstruction**, including receivables categorization, advance reconciliation, KCIP/cash-flow analysis, administrative overspend validation, contributed-funds review, documentation reconstruction, and accounting treatment analysis; and
2. **Future-state control implementation**, including monthly close, roll-forward reporting, budget-to-actual monitoring, approval controls, segregation of duties, policy modernization, NetSuite/chart-of-accounts improvements, reimbursement tracking, and recurring governance oversight.

Historical reconstruction may require additional time, funder coordination, and external support. Future-state controls must be implemented with urgency so that current and future operations are more disciplined, documented, and auditable.

I. Executive Introduction

The Clark Nuber forensic evaluation of KCRHA identified significant deficiencies in financial management, accounting infrastructure, documentation, reconciliation, internal controls, reporting, and governance oversight from mid-2021 through July 2025. These findings require substantial corrective action, operational stabilization, strengthened financial controls, and recurring verification.

The evaluation did not identify specific evidence of large-scale fraud in the samples reviewed. At the same time, the evaluation emphasized that limitations in internal controls mean risk of fraud, waste, and abuse remains. The absence of identified large-scale fraud does not reduce the seriousness of the weaknesses identified. Weak controls create risk, weaken confidence, and must be corrected.

KCRHA is using the forensic evaluation as an improvement roadmap. KCRHA owns its internal failures. At the same time, several priority remediation areas involve workflows that cross organizational boundaries, including reimbursement timing, invoice review, fund advances, fund-source changes, agreement execution, KCIP exposure, and administrative funding structure. Durable correction requires shared work across KCRHA, the City of Seattle, and King County.

Corrective actions must proceed while protecting regional homelessness response infrastructure. KCRHA must avoid destabilizing provider payments, Continuum of Care administration, HMIS/Data Hub infrastructure, Coordinated Entry, contract monitoring and compliance, and other regional backbone functions now operated or coordinated through KCRHA.

This CAP provides an implementation path for addressing the forensic evaluation while supporting informed regional decision-making about KCRHA's future. The region does not face only two choices: defend the status quo or dismantle the regional homelessness response infrastructure. A third pathway exists: disciplined stabilization, modernization, external validation where needed, strengthened governance, and repair of the shared operating model that supports the regional homelessness response system.

II. KCRHA's Response to the Forensic Evaluation

1. Seriousness of the Findings

The evaluation identified material weaknesses in financial management practices, documentation, reconciliation, reporting, controls, and governance oversight. These issues require direct corrective action, sustained implementation, and recurring verification. The CAP translates the evaluation findings into an implementation plan with assigned responsibilities, target dates, documentation expectations, governance oversight, and escalation pathways.

2. No Evidence of Fraud Was Identified

The forensic evaluation did not identify specific evidence of large-scale fraud. At the same time, the evaluation emphasized that limitations in internal controls mean risk of fraud, waste, and abuse remains, particularly in higher-risk areas involving cash-equivalent instruments such as purchase cards (P-cards) and program-related gift cards. KCRHA's historical financial management environment did not provide the level of documentation, traceability, reconciliation, reporting, and governance required for an organization of this scale and complexity. Because King County maintained physical control over KCRHA cash through the KCIP structure, disbursements required warrants and invoices, and cash release occurred through County-controlled processes. This downstream structure helped mitigate the risk of large-scale cash diversion. However, that structure did not substitute for KCRHA's responsibility to maintain strong internal controls, timely invoicing, accurate accounting records, clear documentation, reliable reconciliations, and effective financial reporting.

3. Serious Traceability, Documentation, and Internal Control Failures Were Identified

The forensic evaluation identified serious limitations in KCRHA's ability to trace transactions cleanly through its accounting and financial systems. In some cases, transaction flow had to be pieced together from multiple systems, spreadsheets, emails, and external confirmations rather than followed through a standardized accounting process. That condition is unacceptable for an organization administering a large portfolio of municipal, county, state, federal, and restricted homelessness response funding.

4. The Findings Reflect Compounding and Interrelated Issues Over Several Years

The forensic evaluation recognized that the challenges identified were not the result of a single decision or management period, but reflected several years of compounding and interrelated

issues. KCRHA's formation and operational scale-up occurred during an unusually complex period that included the COVID-19 pandemic, emergency funding expansion, shifting compliance requirements, backend funding reallocations, CEO leadership transitions, evolving governance structures, immature financial systems, rapid staffing growth, and pressure to expand homelessness response services quickly. During this same period, KCRHA inherited and attempted to integrate multiple preexisting contracting structures, reimbursement processes, data systems, and intergovernmental workflows that had previously operated independently across multiple jurisdictions and agencies. These conditions do not excuse the deficiencies identified. They do, however, explain why durable remediation must address systems, staffing, controls, governance, funding workflows, and intergovernmental operating practices rather than a single isolated failure.

5. KCRHA Is Using the Evaluation as an Implementation Roadmap

KCRHA is using the forensic evaluation as an implementation roadmap. Where findings identify internal KCRHA failures, KCRHA accepts responsibility and is implementing corrective action. Where findings identify issues that require validation, KCRHA is validating balances, documentation, accounting treatment, classifications, and recoverability. Where findings involve shared workflows between KCRHA, the City, and the County, KCRHA is identifying those as shared operating-model issues requiring joint correction.

KCRHA is not using shared operating-model issues to dilute its accountability. KCRHA remains responsible for its internal deficiencies. But a corrective action plan that treats reimbursement timing, invoice review, fund advances, fund-source changes, agreement execution, and KCIP cash exposure as solely internal KCRHA matters would not fully address the operating conditions that contributed to the current situation or the conditions that must be improved to prevent recurrence.

III. Corrective Action by Evaluation Theme

1. Negative KCIP Cash Position and Cost-Reimbursement Model

Finding / Issue

The negative cash position within the King County Investment Pool is one of the most significant financial and structural issues identified through the forensic evaluation.

KCRHA operates under a reimbursement-based model in which the organization pays providers for eligible homelessness response services and then seeks reimbursement from governmental

funding partners. Under this model, cash-flow stability depends on timely and accurate invoicing, predictable reimbursement review, accurate fund advance tracking, and alignment between provider payment obligations and funder reimbursement cycles.

The forensic evaluation identified several factors contributing to negative cash exposure, including delayed or inefficient invoicing, inaccurate or unsupported invoices, invoices submitted before or after ideal timing, use of unbilled revenue without sufficient central tracking, advances recorded or applied inconsistently, and interest costs associated with the negative KCIP position.

The ongoing negative cash balance does not appear attributable to one single large expenditure, project, or discrete event. Rather, it reflects the interaction of recurring expenditures, provider payment obligations, reimbursement timing, fund advances, internal invoicing/reconciliation weaknesses, and the broader cost-reimbursement operating model.

KCRHA Response¹

KCRHA accepts that historical internal practices contributed to the negative KCIP balance and related interest expense. These included delayed invoicing, inconsistent invoice quality, rejected or reworked invoices, incomplete documentation, insufficient cash-flow forecasting, incomplete reconciliation of receivables and advances, and insufficient escalation when cash-flow issues worsened.

The negative KCIP balance is not solely an internal process issue. It reflects a reimbursement model in which provider payment obligations precede reimbursement receipt by several months. In a reimbursement-based system, the cost of maintaining service continuity must be carried somewhere: by KCRHA through negative cash exposure, by funders through advances or working-capital support, or by providers through delayed payments. The third option is inconsistent with the region's interest in maintaining service continuity.

The key operating-model question is:

Who carries the cost of money required to operate a reimbursement-based homelessness response system?

Corrective Actions

KCRHA will:

- refine KCIP/cash-flow reconciliation schedule;

¹ KCRHA's response posture framework can be found in appendix A

- analyze reimbursement timing, advances, interest expense, and cash-flow assumptions;
- improve invoice quality and timeliness;
- reduce invoice rejection and resubmission rates;
- formalize a rejected-cost and invoice-delay tracking mechanism;
- strengthen cash-flow forecasting tied to expected reimbursements and provider payment obligations;
- evaluate resolution options for accrued KCIP interest expense;
- coordinate with City and County funders on reimbursement cycles, advance structure, and invoice review timelines;
- evaluate alternative advance, reserve, or working-capital structures;
- and report KCIP exposure, cash-flow risks, and unresolved reimbursement issues through the CAP dashboard and Finance Committee.

Initial Deliverables

Deliverable	Target
KCIP/cash-flow reconciliation schedule	June 22, 2026
Rejected-cost and invoice-delay tracker	June 22–July 22, 2026
Initial working-capital options	July 22–August 21, 2026
KCIP/interest resolution pathway	July 22–August 21, 2026, subject to funder coordination and accounting review

2. Cash Management and Fund Advances

Finding / Issue

The forensic evaluation identified gaps in cash management processes, including insufficient reconciliation tracking, reliance on manual or informal tracking, and lack of a standardized system-driven cash monitoring report or dashboard.

Cash advances from funders were not consistently coded, tracked, or reconciled to specific program expenditures as they occurred, requiring allocation and reconciliation after the fact.

KCRHA’s cash position awareness historically relied too heavily on informal reporting, manual tracking, and after-the-fact statements rather than forward-looking, system-driven reporting.

KCRHA Response

KCRHA accepts that cash management and advance tracking must be strengthened. Fund advances can support cash-flow stability, but only if they are tracked, documented, reconciled, and reported consistently. In 2025 KCRHA established a separate fund with the KCIP to improve tracking for the City of Seattle advance.

Going forward, KCRHA must be able to identify:

- the source and purpose of each advance;
- the period covered;
- allowable uses;
- expenditures charged against the advance;
- reimbursements later applied;
- remaining balance or deficit;
- and whether the advance is temporary, recurring, or intended as working capital.

Corrective Actions

KCRHA will:

- complete a fund advance inventory;
- develop a monthly fund advance roll-forward;
- reconcile advances against expenditures and reimbursements;
- formalize documentation standards for advance use and classification;
- clarify accounting treatment for advances;
- coordinate with funders on advance balances and reimbursement timing;
- refine a cash monitoring report that integrates KCIP balance, receivables, unbilled items, advances, and obligations;
- and escalate cash-flow risks through executive leadership, Finance Committee, and funder coordination processes.

Initial Deliverables

Deliverable	Target
Initial advance inventory and roll-forward template	June 22, 2026

Refine cash monitoring report	June 22–July 22, 2026
Major open advance reconciliation with City/County partners	July 22–August 21, 2026
Recurring monthly advance roll-forward	July 22–August 21, 2026

3. Receivables, Unbilled Revenue, and the Approximately \$8M Finding

Finding / Issue

The forensic evaluation identified approximately \$8M in receivables that could not be fully matched against available financial records during the review period.

The issue should not be understood as evidence that \$8M is missing or was misused. Rather, historical accounting records, particularly before late 2024, did not consistently maintain sufficient transaction-level traceability to allow balances to be readily explained during the evaluation process.

The evaluation also identified issues related to unbilled revenue tracking, invoice timing, and limited ability to trace receivables, invoices, advances, and payments through a consistent accounting process.

KCRHA Response

KCRHA accepts the seriousness of this finding. The inability to fully reconcile a receivable balance undermines confidence in financial reporting and must be resolved through detailed transaction-level review.

KCRHA’s current review indicates the balance may include several categories:

- receivables that were subsequently resolved or collected;
- unbilled receivables requiring follow-up with funders;
- timing differences between expenditures, invoicing, and reimbursement;
- misapplied or difficult-to-match payments;
- unsupported or insufficiently documented balances;
- and older balances that may ultimately require accounting adjustment or write-off if deemed unrecoverable.

Corrective Actions

KCRHA will:

- isolate the full population of receivable balances associated with the finding;
- categorize balances by funder, invoice, period, and recovery status;
- identify amounts requiring billing or rebilling;
- identify amounts already resolved or collected;
- document balances requiring adjustment or write-off;
- implement monthly receivable roll-forward reporting;
- tie AR roll-forward reporting to invoices, general ledger balances, cash receipts, and funder records;
- and present recovery, rebilling, adjustment, and write-off recommendations through the Finance Committee and funder coordination process.

Initial Deliverable

Deliverable	Target
Initial AR categorization	June 22, 2026
AR roll-forward template	June 22, 2026
Recovery/rebiling/adjustment/write-off recommendations	July 22–August 21, 2026
Recurring monthly AR roll-forward	July 22–August 21, 2026

4. Use and Allocation of Contributed / Combined Funds

Finding / Issue

The forensic evaluation identified difficulty tracing the use and allocation of contributed funds over time, particularly before late 2024. Contributed fund receipts in 2025 were generally more traceable to the general ledger and investment pool statements, reflecting incremental improvements associated with implementation of accounts receivable module functionality for invoice management.

However, KCRHA lacked a consistently applied allocation methodology supported by agreement-level documentation sufficient to demonstrate clearly that costs were allocated in compliance with each funder’s requirements. Reallocations often occurred weeks or months after original transactions, and expenses were not consistently recorded to the final program or funding source at the time they were incurred.

KCRHA Response

KCRHA accepts the need to strengthen contributed-funds tracking, allocation methodology, agreement-level documentation, and transaction-level coding.

This area requires both historical review and future-state control implementation. Historical review is needed to understand how contributed funds and advances were received, applied, reallocated, or reconciled. Future-state controls are needed to ensure that funds can be traced from receipt to expenditure to reporting using accounting records themselves.

Corrective Actions

KCRHA will:

- conduct an initial inventory of contributed funds and related documentation;
- validate restrictions, allowable uses, and agreement terms;
- review historical allocation practices and identify documentation gaps;
- reconcile contributed fund receipts to expenditures, invoices, reimbursements, and general ledger records where feasible;
- develop or refine a documented cost-allocation framework linked to agreement terms;
- reduce reliance on large retroactive reallocations;
- limit use of administrative holding categories;
- require transaction-level coding using required accounting fields;
- and implement periodic contributed-funds reporting as part of month-end close.

Initial Deliverables

Deliverable	Target
Initial contributed funds inventory	June 22, 2026
Documentation gap review	June 22–July 22, 2026
Refine cost-allocation framework	July 22–August 21, 2026
Recommended accounting adjustments or policy changes	July 22–August 21, 2026

5. Accounting Infrastructure, NetSuite, Chart of Accounts, Cost Centers, and Reporting Systems

Finding / Issue

The forensic evaluation identified significant weaknesses in KCRHA's accounting infrastructure and reporting systems. These included limited use or configuration of NetSuite reporting capabilities, reliance on manually prepared workbooks for budget-to-actual reporting, chart-of-accounts limitations, generic or non-specific account names, inconsistent cost-center usage, legacy fields from prior systems, and limited ability to distinguish federal direct awards from federal pass-through awards through the chart of accounts alone.

These limitations weakened transparency, increased reliance on informal explanations, created additional administrative burden for federal reporting, and increased the risk of misclassification.

KCRHA Response

KCRHA accepts that its accounting infrastructure was not sufficiently designed, configured, or governed for the complexity of the organization's role.

The issue is not simply whether systems existed. The issue is whether those systems were configured, documented, integrated, and used in a way that allowed reliable reporting, reconciliation, and audit readiness.

KCRHA must move from person-dependent workarounds and manual spreadsheets toward system-supported, documented, repeatable reporting and reconciliation processes.

Corrective Actions

KCRHA will:

- evaluate NetSuite configuration and reporting capabilities;
- review whether NetSuite can support required budget-to-actual, grants, receivables, funder, and program reporting needs;
- review Salesforce/NetSuite data flows and reporting limitations;
- evaluate the chart of accounts for clarity, grant reporting, federal direct/pass-through tracking, and account purpose;
- reduce reliance on generic "Other," "Misc.," or undefined accounts;
- define cost centers, programs, grants, contracts, funders, and reporting fields;
- clean up or document legacy fields from prior systems;
- develop or refine posting rules and transaction-level coding expectations;
- strengthen and formalize the month-end close process;
- update and formalize a standard financial reporting package;

- and review revenue recognition, billing, receivable aging, collectability, allowance, write-off, and deferral policies by revenue stream.

Initial Deliverables

Deliverable	Target
Updated monthly close checklist	June 22, 2026
Standard financial reporting package	June 22, 2026
Initial NetSuite / COA / cost-center assessment	July 22, 2026
Systems/data-flow modernization priorities	July 22–August 21, 2026
Revenue and receivables policy update plan	July 22–August 21, 2026

6. Administrative Overspend and Administrative Cost Structure

Finding / Issue

The forensic evaluation identified approximately \$4.26M in administrative overspend, including interest expense associated with the negative KCIP cash position.

KCRHA accepts that administrative spending exceeded approved authority during portions of the review period and that budget monitoring, escalation practices, and administrative controls were not sufficient.

Current review indicates the overspend appears to have been driven primarily by a limited number of major categories, including:

- KCIP interest expense;
- Salesforce implementation and systems modernization costs;
- legal and consulting expenses;
- reliance on contracted or temporary administrative and finance staffing;
- and other administrative costs incurred during organizational instability, leadership transition, and system implementation.

KCRHA Response

KCRHA accepts that administrative overspend is serious and must be corrected. Administrative spending must remain within approved budget authority.

At the same time, sustainable correction requires more than cost reduction alone. KCRHA administers a complex regional homelessness response funding portfolio involving municipal, county, state, federal, and restricted funding sources. Administrative infrastructure is the mechanism through which public funds are contracted, monitored, paid, reconciled, reported, and audited.

The issue going forward is how to ensure that KCRHA's administrative structure is both disciplined and sufficient for the scale, risk, and compliance complexity of its responsibilities.

KCRHA has applied approximately \$1.5M in available funding or offsets to reduce remaining administrative overspend exposure, with final documentation and reporting treatment reflected through the CAP implementation process.

Corrective Actions

KCRHA will:

- validate remaining administrative overspend exposure;
- distinguish one-time historical costs from recurring structural costs;
- identify available offsets or allowable funding corrections;
- strengthen monthly administrative budget-to-actual reporting;
- confirm and formalize variance thresholds and escalation protocols;
- strengthen approval controls for consulting, legal, systems, and temporary staffing costs;
- implement discretionary spending restrictions;
- evaluate administrative funding sufficiency and indirect cost structure;
- prioritize finance, accounting, compliance, reimbursement, contracting, audit-readiness, and provider-payment functions;
- and present administrative sustainability options to the Finance Committee and funders.

Initial Deliverables

Deliverable	Target
Administrative overspend status summary	June 22, 2026
Updated administrative budget forecast	June 22, 2026

Monthly admin budget-to-actual structure June 22–July 22, 2026

Confirmed variance escalation thresholds June 22–July 22, 2026

Administrative sustainability options July 22–August 21, 2026

7. Employee Reimbursements, Gift Cards, P-cards, and Cash Equivalents

Finding / Issue

The forensic evaluation identified issues related to employee reimbursements, cash-equivalent controls, P-card usage, documentation, approvals, and policy consistency.

Gift cards and cash-equivalent items present heightened control risk and require stronger approval, custody, distribution, reconciliation, and documentation controls. P-cards require clear authorization, documentation, reconciliation, and supervisory review. Employee reimbursements require documented approval, allowable business purpose, supporting receipts, and consistent review.

KCRHA Response

KCRHA has already begun strengthening controls in these areas. Employee Reimbursements, Gift Cards, P-cards, and Cash Equivalents policy and process has been updated. These improvements do not resolve the broader financial and governance issues, but they are foundational to rebuilding an appropriate control environment.

Corrective Actions

KCRHA will:

- finalize and enforce reimbursement policies;
- require documented pre-approval where appropriate;
- centralize supporting documentation;
- conduct periodic reimbursement sample reviews;
- strengthen and standardize gift-card logs;
- reconcile gift-card purchases, distribution, remaining inventory, or voided items;
- confirm P-card cardholders, limits, allowable uses, and documentation requirements;
- prohibit card sharing;

- formalize monthly P-card reconciliation and exception tracking;
- and report control improvements through executive leadership and Finance Committee updates.

Initial Deliverables

Deliverable	Target
Reimbursement policy/documentation review	June 22, 2026
Gift card inventory/log review	June 22, 2026
P-card and cardholder review	June 22, 2026
First sample review under strengthened controls	July 22, 2026
Recurring exception reporting	July 22, 2026

8. Governance, Oversight, Policies, Procedures, and Decision Rights

Finding / Issue

The forensic evaluation identified governance and oversight issues, including insufficient financial reporting visibility, weak escalation, policy/procedure gaps, inconsistent alignment between documented policy and day-to-day practice, and limited evidence of consistent authorization for higher-risk accounting actions.

KCRHA Response

KCRHA accepts that governance and oversight must be strengthened. Corrective action cannot depend solely on management assurances. It must be supported by recurring reporting, milestone tracking, documentation, Finance Committee review, Governing Board oversight, funder coordination, and external validation where appropriate.

KCRHA’s Governing Board established a dedicated Finance Committee on April 23, 2026. The Finance Committee held its first meeting on May 11, which focused on review of KCRHA’s financial condition, reconciliation, receivables, KCIP, administrative spending, cash-flow, and corrective action progress.

Corrective Actions

KCRHA will:

- maintain Finance Committee cadence;
- formalize a CAP dashboard;
- assign executive, finance, and operational leads for major workstreams;
- formalize risk escalation protocols;
- develop standard Finance Committee reporting packages;
- update policies and procedures to reflect current operations, roles, approval authorities, and risks;
- develop a decision-rights matrix for high-risk financial decisions;
- track audit-readiness and federal compliance documentation;
- and coordinate with funders where corrective actions depend on shared workflows.

Initial Deliverables

Deliverable	Target
Formalized CAP implementation dashboard	June 22, 2026
Confirm Finance Committee reporting expectations	June 22, 2026
Define executive owner for each major workstream	June 22, 2026
Formalized risk escalation protocol	June 22–July 22, 2026
Policy update tracker	July 22, 2026
Decision-rights matrix	August 21, 2026

IV. Implementation, Oversight, Owners, and Dates

The forensic evaluation recognizes that addressing the issues at KCRHA will require a coordinated and multi-layered approach. KCRHA’s proposed implementation structure is designed around that premise: internal corrective action, Finance Committee oversight, funder coordination, external stabilization support where approved, and a phased roadmap for moving from immediate stabilization to long-term governance maturity.

1. Implementation Phases

Phase 1 — Immediate Stabilization and Financial Control

0–90 days from CAP submission

Priority activities include:

- formalizing CAP dashboard and reporting cadence;
- completing initial receivables categorization;
- refining KCIP/cash-flow schedule;
- completing fund advance inventory;
- validating administrative overspend exposure;
- finalizing immediate controls related to reimbursements, gift cards, P-cards, and segregation of duties;
- updating monthly close checklist and financial reporting package;
- beginning City/County/KCRHA work sessions;
- defining external stabilization scope.

Phase 2 — Operational Modernization and Systems Alignment

3–9 months from CAP submission

Priority activities include:

- formalizing monthly AR and advance roll-forwards;
- strengthening recurring cash-flow forecasting;
- formalizing recurring financial reporting package;
- reviewing NetSuite, chart of accounts, cost-center, and system-data flow structures;
- developing shared reimbursement standards;
- strengthening policy and procedure framework;
- developing finance staffing and capability plan;
- presenting administrative sustainability options.

Phase 3 — Long-Term Sustainability and Governance Maturity

9–18 months from CAP submission

Priority activities include:

- institutionalizing monthly close and reporting cadence;
- stabilizing long-term finance leadership;
- implementing durable policy and control environment;
- establishing long-term funder coordination protocol;

- completing administrative funding model evaluation;
- preparing audit-readiness package;
- transitioning from CAP tracking to standard financial governance reporting.

2. Initial Accountability Assignments

Workstream	Executive Sponsor	Primary Lead	Support / Coordination
CAP implementation dashboard	CEO	ADS/ CBO	Finance / Board
Receivables and AR categorization	ADS	CBO/ Controller	Accounting team / funders
KCIP, cash-flow, and advances	ADS	CBO	Accounting Team / City/County finance
Accounting infrastructure / NetSuite / COA	ADS	CBO	Accounting Team / systems support / external stabilization support if approved
Internal controls and policy updates	ADS	Compliance Officer	CBO/ Finance team
Administrative overspend and budget controls	CEO	CBO	ADS/ Finance Committee
External stabilization scope	CEO	ADS	CBO/ Finance Committee / legal / procurement
Funder coordination	CEO	ADS	City / County Partners

These assignments identify initial workstream-level accountability. Task-level leads may be refined through the CAP dashboard and Finance Committee review.

3. Capacity Assumption

KCRHA recognizes that current internal finance and administrative capacity is not sufficient to complete all remediation activities at the pace and depth required without prioritization, sequencing, funder coordination, and additional specialized support.

Implementation will depend on:

- internal staffing capacity;
- ability to hire or assign additional accounting support;
- Finance Committee and governance approval pathways;
- access to historical documentation;
- funder-side records and validation;
- procurement timing;
- and approval of external stabilization support.

Where capacity constraints affect timing, KCRHA will identify those constraints through the CAP dashboard and escalate them to executive leadership, the Finance Committee, Governing Board, and funders as appropriate.

4. Dashboard and Reporting

The CAP dashboard will track:

- finding or issue area;
- corrective action;
- responsible owner;
- target milestone date;
- current status;
- documentation available;
- dependencies;
- risks or barriers;
- escalation needed;
- and next reporting date.

The dashboard will distinguish among:

- historical cleanup;
- future-state control implementation;
- governance actions;
- intergovernmental coordination items;
- external stabilization activities;
- federal compliance and audit-readiness items;

- and structural operating-model decisions.

5. Reporting Cadence

Audience / Body	Proposed Cadence	Primary Content
Executive leadership	Weekly during Phase 1; biweekly thereafter	Implementation status, barriers, decisions needed, risk escalation
Finance leadership / internal workgroup	Weekly or more frequently as needed	Technical workstream progress, reconciliations, documentation, controls
Finance Committee	Biweekly during Phase 1; monthly thereafter	CAP dashboard, financial condition, AR/KCIP/advances/admin spend, risk items
Governing Board	Monthly or as scheduled	High-level CAP progress, major risks, decisions requiring Board action
City and County funders	Biweekly or monthly during Phase 1; monthly/quarterly thereafter	Shared financial position, reimbursement issues, advances, milestone updates
External stabilization partner, if engaged	Weekly project cadence during initial engagement	Validation, implementation support, roadmap development, risk review

V. External Stabilization and Shared Operating Model

1. Why External Stabilization Support Is Needed

KCRHA acknowledges that the scale, urgency, and complexity of the required remediation work exceeds the organization’s current internal capacity and capability alone. External stabilization support is therefore a central component of the CAP. KCRHA remains responsible for correcting its internal deficiencies. The Governing Board remains responsible for governance oversight. City and County funders retain their respective roles. External stabilization support would provide specialized expertise, implementation support, independent validation, and shared source-of-truth development.

2. Potential Forms of Support

External stabilization support could take several forms:

- an outside consulting firm;
- a highly qualified interim CFO or senior finance executive;
- a senior accounting or controller-level resource;
- a small technical finance and accounting team;
- a project-management and implementation support team;
- or another approved structure.

The essential requirement is credible external expertise sufficient to validate current conditions, support urgent remediation, and help establish a shared factual baseline for regional decision-making.

3. Initial Phase

KCRHA recommends that any external support begin with a focused 60–90 day stabilization and validation phase.

The threshold question is:

What is KCRHA’s current validated financial and operational position, and what level of support is required to stabilize the organization responsibly?

Potential deliverables include:

1. current-state validation memo;
2. receivables and advances review summary;
3. KCIP and cash-flow assessment;
4. administrative cost and budget review;
5. control environment rapid review;
6. implementation dashboard design;
7. intergovernmental operating-model recommendations;
8. follow-on scope recommendation.

At the conclusion of this phase, KCRHA, the Governing Board, and funding partners should evaluate whether additional support is needed and, if so, at what scale.

4. Shared Operating Model

KCRHA accepts responsibility for correcting its internal financial management, documentation, reconciliation, reporting, and control deficiencies. At the same time, several priority remediation areas involve workflows that cross organizational boundaries, including:

- reimbursement timing;
- invoice review;
- fund advances;
- fund-source changes;
- backend funding reallocations;
- agreement execution timing;
- KCIP exposure;
- administrative funding structure;
- documentation standards;
- and escalation pathways.

Identifying these shared operating-model issues is not intended to shift responsibility away from KCRHA. It is intended to ensure that corrective action addresses the actual regional operating conditions that must be improved to prevent recurrence.

The early operating model did not provide sufficiently mature shared structures for reconciliation, reimbursement timing, advance management, invoice review, funding changes, financial reporting expectations, and escalation. As a result, KCRHA's organizational responsibilities expanded more rapidly than the development of a mature regional financial operating model.

KCRHA's internal failures must be corrected. But the region must also establish a stronger operating framework among KCRHA, the City of Seattle, and King County.

5. Shared Operating-Model Priorities

KCRHA, the City, and the County should work toward shared agreement on:

1. **Reimbursement standards**
 - invoice format;
 - documentation requirements;
 - review timelines;
 - rejection/resubmission process;
 - escalation triggers.
2. **Advance management**
 - advance purpose;
 - period covered;

- allowable use;
 - expenditure application;
 - remaining balance;
 - reconciliation process.
3. **Cash-flow and KCIP management**
- provider payment obligations;
 - expected reimbursement timing;
 - cash-flow forecast;
 - interest treatment;
 - working-capital options.
4. **Receivables validation**
- funder-side payment confirmation;
 - open invoice review;
 - unbilled receivable resolution;
 - disputed or unsupported balances;
 - write-off/adjustment methodology.
5. **Administrative funding and sustainability**
- indirect/admin allowance;
 - one-time remediation costs;
 - program underspend governance;
 - allowable offsets;
 - future-state administrative funding model.
6. **Escalation and decision rights**
- who decides;
 - when issues are escalated;
 - what documentation is required;
 - how unresolved issues are reported.

VI. Continuity / Future-State Regional Infrastructure

KCRHA accepts that the seriousness of the forensic evaluation findings requires corrective action, oversight, and structural evaluation. At the same time, regional leaders should account for the operational, contractual, governance, federal funding, and provider-continuity implications associated with major structural disruption or redistribution of KCRHA functions.

KCRHA currently supports or administers core regional infrastructure, including:

- Continuum of Care administration and federal HUD coordination;
- HMIS governance and regional data infrastructure;
- Coordinated Entry and system navigation infrastructure;
- provider contracting and reimbursement administration;

- monitoring and compliance functions;
- regional planning and systems coordination;
- federal, state, county, and city funding alignment;
- and highly interconnected funding streams supporting housing, shelter, outreach, services, and system operations.

These functions are operationally interdependent. Any major restructuring, partial redistribution, or dissolution of KCRHA responsibilities would require careful transition planning to avoid:

- provider payment disruption;
- interruption of HMIS or Coordinated Entry;
- gaps in federal funding administration;
- destabilization of provider contracts;
- loss of institutional knowledge;
- duplication of administrative infrastructure;
- fragmentation of planning and data functions;
- and potential federal compliance risk.

This is not an argument against review, reform, or structural evaluation. It is an argument for responsible sequencing.

The region can insist on serious corrective action while also protecting CoC, HMIS/Data Hub, Coordinated Entry, provider payment continuity, and regional backbone infrastructure. Both obligations must be held together.

1. Regional Infrastructure Investments Already Made

Over the past several years, the region has invested substantially in building homelessness response infrastructure through KCRHA. Those investments include:

- a regional single-payer contracting and reimbursement infrastructure;
- the Salesforce grants and provider management platform;
- the HMIS-connected regional Data Hub;
- coordinated provider monitoring and compliance systems;
- regional planning and systems coordination infrastructure;
- Continuum of Care coordination and federal funding administration;
- integrated provider contracting systems;
- and the establishment of the Ombuds Office as a regionally focused accountability and customer-support function.

These investments represent years of regional coordination work and substantial public investment intended to improve alignment, accountability, transparency, and coordination across a historically fragmented homelessness emergency response environment.

As regional stakeholders consider the future of KCRHA and the broader homelessness response system, this context is important. The question is not simply whether corrective action is required. It clearly is. The question is how the region can preserve and improve critical regional infrastructure while correcting the serious financial, operational, and governance deficiencies identified through the forensic evaluation.

2. Continuity Functions Requiring Protection

If regional leaders pursue structural changes to KCRHA, any transition plan should account for continuity of:

1. Continuum of Care governance and federal funding administration

- responsible entity or entities;
- federal application calendar;
- reporting deadlines;
- subrecipient management;
- monitoring responsibilities.

2. HMIS and Data Hub infrastructure

- system administration;
- data governance;
- provider user support;
- data quality;
- public dashboards;
- By-Name List development.

3. Coordinated Entry

- operational ownership;
- referral continuity;
- provider engagement;
- policy oversight;
- data/reporting integration.

4. Provider contracts and payments

- contract assignment or reissuance;
- reimbursement processes;
- payment continuity;
- documentation expectations;
- fund-source mapping.

5. Monitoring and compliance

- monitoring schedule;
- open findings or corrective actions;
- documentation retention;
- funder reporting;
- federal compliance obligations.

6. Staffing and institutional knowledge

- key staff functions;
- transition of records;
- technical expertise;
- continuity relationships;
- risk of knowledge loss.

VII. Conclusion

KCRHA accepts the need for substantial corrective action and organizational improvement. The organization further recognizes that rebuilding confidence will require transparency, accountability, operational discipline, external validation where needed, and measurable progress over time.

At the same time, the region must carefully consider the broader implications of destabilizing or fragmenting core regional homelessness response infrastructure during a period of continued housing instability, increasing service demand, and uncertainty surrounding future federal homelessness funding.

The most responsible path forward is neither denial of KCRHA's deficiencies nor abandonment of the regional model itself. Rather, the most responsible path forward is disciplined stabilization, modernization, strengthened internal controls, external support where needed, shared City/County/KCRHA operating-model repair, and continued improvement of the regional homelessness response infrastructure the community has already spent years building.

Appendix A — Corrective Action Matrix by Forensic Evaluation Theme

Purpose

This appendix provides the primary corrective action crosswalk for the major themes identified through the Clark Nuber forensic evaluation, the April 22 City and County letter, KCRHA’s May 8 response, and KCRHA’s ongoing remediation planning.

The Corrective Action Plan organizes corrective actions by evaluation theme so that readers can clearly see how KCRHA is responding to the forensic evaluation. This appendix supports that structure by identifying:

- the evaluation theme or issue area;
- KCRHA’s response posture;
- current status;
- corrective actions underway or planned;
- near-term target dates;
- dependencies and risks;
- lead ownership;
- oversight and reporting pathway;
- and expected documentation artifacts.

This matrix is intended to function as a working implementation tool. It will be updated through the CAP dashboard, Finance Committee review, funder coordination, and any approved external stabilization engagement.

Response Posture Key

Response Posture	Meaning
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Accept	KCRHA accepts the finding or issue and is implementing corrective action.
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Accept / Validate	KCRHA accepts the core issue and is validating specific balances, causes, classifications, accounting treatment, or recoverability.
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Validate KCRHA is reviewing the issue to determine whether it reflects noncompliance, documentation weakness, system traceability limitations, timing differences, or structural funding-model constraints.

Implemented / Continuing Immediate control improvements have been implemented or initiated and will continue through monitoring, documentation, policy refinement, or recurring review.

Shared Operating-Model Issue KCRHA accepts responsibility for its internal role and identifies the issue as requiring City/County/KCRHA coordination because resolution depends on shared workflows, reimbursement timing, funder review, advance structure, or funding-model decisions.

Implementation Capacity Assumption

The target dates in this matrix are planning milestones intended to establish urgency, sequencing, and accountability. They should not be read as a representation that current internal staff can complete all workstreams at the pace and depth required without prioritization, funder coordination, additional staffing capacity, and specialized external support.

Where capacity constraints, documentation gaps, procurement timing, Finance Committee review, funder dependencies, or external support approvals affect implementation, KCRHA will identify those barriers through the CAP dashboard and escalate them through the appropriate oversight pathway.

Corrective Action Matrix by Evaluation Theme

#	Evaluation Theme / Issue Area	Response	Current Status	Corrective Actions	30-Day Target / June 22, 2026	60–90 Day Target / July 22–Aug. 21, 2026	Dependencies / Risks	Lead / Reporting Pathway	Documentation
1	Negative KCIP cash position and cost-reimbursement model	Accept / Validate; Shared Operating-Model Issue	KCRHA acknowledges the seriousness of the negative KCIP position, related interest expense, and connection to reimbursement timing, invoicing quality, fund advances, and the cost-reimbursement operating model.	Develop or refine KCIP/cash-flow reconciliation schedule; improve invoice quality/timeliness; analyze accrued interest; evaluate advance/reserve/worki ng-capital options; coordinate with funders on reimbursement timing.	Refine KCIP/cash-flow reconciliation schedule, including reimbursement timing, interest expense, advances, and near-term cash-flow assumptions.	Present working-capital and reimbursement model options, including potential approaches to reducing negative balance exposure and interest costs.	Requires validated reimbursement timing data, funder collaboration and payment schedules, advance balances, and agreement on treatment of accrued interest.	Lead: CBO. Support: Director / Controller / ADS. Reporting: Finance Committee and City/County funder coordination.	KCIP/cash-flow schedule; interest analysis; working-capital options memo.

#	Evaluation Theme / Issue Area	Response	Current Status	Corrective Actions	30-Day Target / June 22, 2026	60–90 Day Target / July 22–Aug. 21, 2026	Dependencies / Risks	Lead / Reporting Pathway	Documentation
2	Cash management and fund advances	Accept / In-process	Cash advances and reimbursement timing have been identified as priority areas requiring clearer reconciliation, documentation, and ongoing monitoring.	Complete advance inventory; reconcile advances to expenditures and reimbursements; formalize monthly advance roll-forward; clarify accounting treatment; coordinate with funders.	Complete initial advance inventory and roll-forward template.	Reconcile major open advances with City/County partners and begin recurring monthly advance reporting.	Requires funder-side records, agreement on advance classification, and consistent treatment across periods.	Lead: Accountant / CBO. Support: Controller. Reporting: Finance Committee and funder reconciliation meetings.	Advance inventory; advance roll-forward; funder reconciliation notes.
3	Receivables, unbilled revenue, and approximately \$8M finding	Accept / Validate	Transaction-level review is underway. KCRHA has identified more than \$1M in unbilled receivables requiring follow-up with King County, with additional categorization ongoing.	Categorize receivables by funder, invoice, period, and recovery status; identify billable/rebillable amounts; identify resolved items; document potential adjustments/write-offs; formalize monthly AR roll-forward.	Complete initial AR categorization and AR roll-forward template.	Present recovery, rebilling, adjustment, and write-off recommendations; begin monthly AR roll-forward reporting.	Requires historical invoice records, funder payment records, GL detail, and agreed methodology for write-offs/rebiling. Staffing capacity-SAO audit June-Nov.	Lead: Controller / CBO. Support: ADS / accounting team. Reporting: Finance Committee and funder validation.	AR categorization schedule; AR roll-forward; rebilling/write-off recommendation memo.

#	Evaluation Theme / Issue Area	Response	Current Status	Corrective Actions	30-Day Target / June 22, 2026	60–90 Day Target / July 22–Aug. 21, 2026	Dependencies / Risks	Lead / Reporting Pathway	Documentation
4	Use and allocation of contributed / combined funds	Accept / Validate	KCRHA acknowledges the need for clearer documentation and accounting treatment for contributed funds, restrictions, allowable uses, and allocation practices.	Inventory contributed funds; validate restrictions; review allocation methodology; reconcile receipts to expenditures where feasible; develop agreement-level allocation framework; reduce large retroactive reallocations.	Complete initial contributed funds inventory and identify documentation gaps.	Complete reconciliation/documentation review and present recommended accounting adjustments or policy changes.	Requires donor/funder documentation, agreement terms, GL detail, and management/legal review of allowable use.	Lead: CBO. Support: Controller / Compliance Officer / external support if approved. Reporting: Finance Committee.	Contributed funds inventory; documentation gap log; allocation framework.

#	Evaluation Theme / Issue Area	Response Posture	Current Status	Corrective Actions	30-Day Target / June 22, 2026	60–90 Day Target / July 22–Aug. 21, 2026	Dependencies / Risks	Lead / Reporting Pathway	Documentation Artifact
5	Accounting infrastructure, NetSuite, chart of accounts, cost centers, and reporting systems	Accept	KCRHA acknowledges weaknesses in accounting infrastructure, reporting, documentation, NetSuite configuration, cost-center usage, and reliance on manual workbooks.	Review NetSuite configuration; assess COA clarity; evaluate federal direct/pass-through award tracking; define cost centers and reporting fields; reduce generic accounts; review Salesforce/NetSuite data flows; update/formalize close checklist and standard reporting package.	Update/refine monthly close checklist and standard financial reporting package.	Complete initial NetSuite / COA / cost-center assessment and identify systems/data-flow modernization priorities.	Requires finance staffing, systems expertise, data access, and possible external accounting/systems support. Staffing capacity-SAO audit June-Nov.	Lead: CBO. Support: Controller / systems support / ADS. Reporting: Finance Committee.	Close checklist; reporting package; NetSuite/COA assessment.

#	Evaluation Theme / Issue Area	Response Posture	Current Status	Corrective Actions	30-Day Target / June 22, 2026	60–90 Day Target / July 22–Aug. 21, 2026	Dependencies / Risks	Lead / Reporting Pathway	Documentation Artifact
6	Administrative overspend and administrative cost structure	Accept / Validate	KCRHA has identified major drivers of administrative overspend, including KCIP interest, Salesforce/system modernization, legal/consulting, and temporary staffing. Approximately \$1.5M in offsets has been applied to reduce exposure.	Validate remaining exposure; distinguish one-time vs. recurring costs; strengthen monthly admin budget-to-actual reporting; establish variance thresholds; strengthen approval controls; evaluate administrative sustainability.	Validate remaining administrative overspend exposure and update administrative budget forecast.	Present administrative sustainability options, including ongoing cost controls and potential administrative funding model adjustments.	Requires final validation of allowable offsets, accounting treatment, indirect cost assumptions, and funder input.	Lead: CBO. Support: CEO / ADS. Reporting: Finance Committee and funder review.	Admin overspend schedule; budget forecast; sustainability options memo.
7	Employee reimbursements	Implemented / Continuing	KCRHA has strengthened or is strengthening reimbursement documentation and approval expectations.	Require documented pre-approval where appropriate; centralize support; update reimbursement policy; conduct periodic sample review.	Progress policy and documentation review for employee reimbursements.	Conduct first sample review under strengthened controls and identify needed refinements.	Requires staff compliance, central documentation retention, and supervisory follow-through.	Lead: Compliance Officer. Support: CBO. Reporting: Executive leadership / Finance	Reimbursement policy review; sample review log.

#	Evaluation Theme / Issue Area	Response Posture	Current Status	Corrective Actions	30-Day Target / June 22, 2026	60–90 Day Target / July 22–Aug. 21, 2026	Dependencies / Risks	Lead / Reporting Pathway	Documentation Artifact
8	Gift cards, P-cards, and cash equivalents	Implemented / Continuing	KCRHA has begun strengthening controls around gift-card approvals/logs and P-card authorization, documentation, reconciliation, and supervisory review.	Maintain gift-card purchase/distribution logs; reconcile inventory; confirm P-card cardholders and limits; prohibit card sharing; improve monthly reconciliation; formalize exception tracking.	Complete gift-card inventory/log review and P-card/cardholder review.	Formalize standardized recurring reconciliation and exception reporting process.	Requires complete records where available, cardholder compliance.	Lead: Compliance Officer. Support: CBO. Reporting: Executive leadership; periodic Finance Committee control update.	Gift-card log; P-card review; exception report.
9	Segregation of duties, accounting permissions, and approval workflows	Accept	KCRHA has initiated review of accounting and expenditure approval roles, system permissions, and approval authority.	Develop permissions matrix; identify incompatible access; remove unnecessary permissions; document approval workflow; document compensating controls where staffing prevents ideal segregation.	Complete initial permissions matrix and identify incompatible access or approval concerns.	Update revised access controls and formalize recurring permissions review protocol.	Requires system-admin support, role clarity, and adequate staffing or compensating controls.	Lead: Compliance Officer / CBO. Support: ADS. Reporting: Executive leadership / Finance Committee.	Permissions matrix; access-change log; compensating-control notes.

#	Evaluation Theme / Issue Area	Response Posture	Current Status	Corrective Actions	30-Day Target / June 22, 2026	60–90 Day Target / July 22–Aug. 21, 2026	Dependencies / Risks	Lead / Reporting Pathway	Documentation Artifact
10	Governance, oversight, policies, procedures, and decision rights	Accept	Governing Board has established a Finance Committee, which has already convened two meetings focused on financial conditions, reporting, reconciliation, cash flow, administrative spending, and CAP progress.	Maintain Finance Committee cadence; formalize CAP dashboard; define owners; establish risk escalation; update policies; define decision rights; report to Governing Board and funders.	Formalize CAP implementation dashboard, confirm Finance Committee reporting expectations, and define executive owner for each major workstream.	Formalize risk escalation protocol, policy tracker, decision-rights matrix, and first consolidated CAP status report.	Requires staff capacity to maintain dashboard, agreement on reporting format, and leadership alignment.	Lead: ADS / CBO. Sponsor: CEO. Reporting: Finance Committee / Governing Board / funders.	CAP dashboard; reporting package; risk escalation protocol; decision-rights matrix.

11	External stabilization support and shared source of truth	Validate / scope / Implement	KCRHA has identified the need for external expertise to support financial stabilization, third-party validation, implementation capacity, and shared City/County/KCRHA operating-model alignment.	Scope initial stabilization engagement; define deliverables; engage City/County partners; validate current financial condition; support shared source-of-truth process; develop decision gate.	Develop proposed scope, budget, procurement/approval pathway, and decision timeline.	Launch initial stabilization/validation engagement or present final engagement roadmap, depending on procurement and approval timing.	Requires procurement pathway, funding source, governance approval as needed, and City/County alignment on scope.	Lead: ADS. Sponsor: CEO. Support: CBO / Finance Committee / legal / procurement.	External support scope memo; procurement path; decision-gate plan.
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12	CoC, HMIS/Data Hub, Coordinated Entry, provider payment, and regional continuity	Validate / Protect	KCRHA administers or supports core regional infrastructure that would require continuity protection during any structural review, reform, or transition.	Identify essential continuity functions; map CoC/HMIS/CE/provider payment dependencies; assess transition risks; protect federal funding and provider payment continuity during remediation.	Identify core continuity functions requiring protection.	Develop continuity risk inventory and transition-dependency map if structural options remain under review.	Requires coordination with funders, CoC stakeholders, data/HMIS staff, providers, and legal/compliance review.	Lead: ADS. Support: CPO / Data Director / funders. Reporting: Governing Board / funders / Finance Committee as appropriate.	Continuity function inventory; transition risk map; federal deadline tracker.
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Documentation and Verification Expectations

For each corrective action item, KCRHA will retain documentation sufficient to support review by executive leadership, the Finance Committee, the Governing Board, funders, auditors, and any approved external stabilization partner.

Documentation may include:

- reconciliation schedules;
- AR and advance roll-forwards;
- KCIP/cash-flow schedules;
- invoice and reimbursement records;
- funder correspondence;
- administrative budget forecasts;
- variance reports;
- policy updates;
- permissions matrices;
- P-card and gift-card logs;
- meeting materials;
- status reports;
- dashboard exports;
- and decision memos.

KCRHA will distinguish between:

- actions completed and documented;
- actions underway;
- actions pending validation;
- actions dependent on funder coordination;
- actions requiring governance decision;
- and actions requiring external support or specialized capacity.

Use of Matrix Going Forward

This matrix will be treated as a living implementation and accountability tool. It will be updated periodically as corrective actions are completed, target dates are refined, owners are confirmed, documentation is produced, and implementation barriers are identified.

The matrix will be reviewed with the Finance Committee and used to support recurring updates to the Governing Board, City and County funders, and other regional stakeholders as appropriate.

Appendix B — Phase I Implementation Workplan and Dashboard Structure

Purpose

This appendix provides the initial implementation workplan for KCRHA’s Corrective Action Plan. It translates the corrective action themes identified in the main CAP and Appendix A into a dated near-term workplan with owners, reporting pathways, documentation expectations, and escalation protocols.

The Corrective Action Plan is organized to make KCRHA’s response to the forensic evaluation immediately clear. Appendix A provides the corrective action matrix by evaluation theme. This Appendix B provides the initial implementation structure for the first 90 days following CAP submission.

This appendix is intended to support:

- implementation accountability;
- Finance Committee oversight;
- executive leadership tracking;
- City and County funder coordination;
- external stabilization scoping;
- documentation and verification;
- and transparent escalation of capacity constraints or unresolved dependencies.

Implementation Date Anchors

The milestones in this appendix are tied to the May 23, 2026 CAP submission date.

Milestone Window	Target Date	Purpose
30-day target / initial status update	June 22, 2026	Establish first implementation dashboard, initial schedules, inventories, and status reporting structure.
60-day target	July 22, 2026	Move from initial setup to recurring reporting, deeper validation, and funder coordination.

90-day target	August 21, 2026	Present priority recommendations, unresolved risks, validation results, and implementation path for next phase.
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These dates are intended to establish urgency, sequencing, and accountability. They are planning targets, not a representation that every item can be fully completed by current staff without additional capacity, funder coordination, documentation access, procurement steps, or external stabilization support.

Implementation Capacity Assumption

KCRHA recognizes that current internal finance and administrative capacity is limited. Several remediation workstreams require specialized accounting, reconciliation, grants-management, public-sector finance, systems, and project-management expertise.

KCRHA is actively working with the Finance Committee to add needed finance capacity and define the appropriate external stabilization support structure. Delays in securing staff capacity, approval authority, procurement pathway, funder-side documentation, or external technical support may affect the pace of implementation.

Where capacity constraints or external dependencies affect timing, KCRHA will identify those constraints through the CAP dashboard and escalate them to executive leadership, the Finance Committee, the Governing Board, and funders as appropriate.

Implementation Principles

Corrective action implementation will be guided by the following principles.

Accountability: Each major workstream will have an identified executive sponsor, primary lead, reporting pathway, and documentation artifact.

Verification: Progress will be supported by schedules, reports, policy updates, logs, memos, reconciliations, or dashboard entries, not narrative assurance alone.

Prioritization: Immediate financial control, compliance, cash-flow, reconciliation, and governance risks will be addressed first.

Capacity realism: Work will be sequenced based on risk, available staff capacity, documentation availability, and the timing of external stabilization support.

Transparency: Delayed, blocked, or at-risk items will be identified through the dashboard and escalated promptly.

Shared operating-model repair: Issues involving reimbursement timing, fund advances, invoice review, fund-source changes, KCIP exposure, and administrative funding will be addressed through structured City/County/KCRHA coordination.

Continuity: Implementation must protect provider payment continuity, CoC responsibilities, HMIS/Data Hub operations, Coordinated Entry, and other core regional functions.

Context on Existing Practices and Formalization

Many activities identified in this workplan are already occurring in some form as part of KCRHA’s day-to-day finance, contracting, reimbursement, compliance, and governance operations. The corrective action focus is not always to create wholly new processes, but to evaluate, strengthen, document, standardize, reconcile, and govern existing practices so they are reliable, auditable, repeatable, and visible through the CAP dashboard and Finance Committee oversight. Accordingly, terms such as “develop,” “implement,” or “establish” will be understood, where applicable, to include formalizing or improving existing practices rather than assuming no current process exists (see appendix J).

Initial 90-Day Implementation Workplan

30-Day Milestones — Target: June 22, 2026

#	Milestone	Lead / Owner	Support	Reporting Pathway	Documentation Artifact
1	Formalize CAP implementation dashboard and reporting cadence	CBO/ ADS	Finance / Board staff	Finance Committee	Dashboard template; reporting calendar
2	Complete initial AR categorization for approximately \$8M receivables finding	Controller / CBO	Accounting team / ADS	Finance Committee / funders	AR categorization schedule

3	Develop or refine AR roll-forward template	Controller / CBO	Accounting team	Finance Committee	AR roll-forward template
4	Develop or refine KCIP/cash-flow reconciliation schedule	CBO	Director / Controller / ADS	Finance Committee / funders	KCIP/cash-flow schedule
5	Complete initial fund advance inventory and roll-forward template	Accountant / CBO	Controller / accounting team	Finance Committee / funders	Advance inventory; advance roll-forward template
6	Validate remaining administrative overspend exposure	CBO	ADS / CEO	Finance Committee	Administrative overspend status schedule
7	Update administrative budget forecast and document key assumptions	CBO	ADS	Finance Committee	Administrative budget forecast
8	Complete review and update of reimbursement policy/documentation practices	Compliance Officer	CBO	Executive leadership	Reimbursement policy review memo
9	Complete review and reconciliation of gift card inventory/log practices	Compliance Officer	CBO/ program staff	Executive leadership	Gift card inventory/log

10	Complete review of P-card and cardholder controls	Compliance Officer	CBO	Executive leadership	P-card/cardholder review log
11	Complete initial permissions matrix and identify any high-risk access issues	Compliance Officer / CBO	Systems support / ADS	Executive leadership / Finance Committee	Permissions matrix
12	Update monthly close checklist and standard reporting package	Controller / CBO	Accounting team	Finance Committee	Close checklist; reporting package template
13	Confirm Finance Committee reporting expectations	ADS / CBO	CEO / Board staff	Finance Committee	Reporting cadence confirmation
14	Confirm executive owner for each major CAP workstream	CEO / ADS	CBO	Executive leadership / Finance Committee	Owner assignment table
15	Develop proposed external stabilization scope and decision path	ADS	CEO / CBO / legal / procurement	Finance Committee / Governing Board	External stabilization scope memo
16	Identify core CoC, HMIS/Data Hub, Coordinated Entry, and provider payment	ADS	Data / CoC / contracts / CEO	Governing Board / funders as needed	Continuity function inventory

continuity functions
requiring protection

17	Initiate or formalize City/County/KCRHA work sessions on reimbursement, advances, receivables, and cash-flow model issues	ADS / CBO	City / County finance partners	Funder coordination / Finance Committee	Work session agenda; issue tracker
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60-Day Milestones — Target: July 22, 2026

#	Milestone	Lead / Owner	Support	Reporting Pathway	Documentation Artifact
18	Begin formal CAP dashboard status reporting	CBO / ADS	Finance / Board staff	Finance Committee	First dashboard status report
19	Formalize rejected-cost and invoice-delay tracking mechanism	CBO / Controller	Accounting team / funders	Finance Committee / funders	Invoice rejection/delay tracker
20	Complete documentation gap review for contributed / combined funds	CBO	Controller / Compliance Officer	Finance Committee	Documentation gap log

21	Conduct initial NetSuite / chart-of-accounts / cost-center assessment	CBO	Controller / systems support / external support if approved	Finance Committee	NetSuite/COA/cost-center assessment
22	Strengthen monthly administrative budget-to-actual reporting	CBO	ADS	Finance Committee	Monthly admin budget-to-actual report
23	Confirm and formalize administrative variance escalation thresholds	CBO	CEO / ADS	Executive leadership / Finance Committee	Variance escalation protocol
24	Formalize risk escalation protocol for CAP implementation	ADS / CBO	CEO / Finance Committee	Finance Committee / Governing Board	CAP risk escalation protocol
25	Formalize policy update tracker	Compliance Officer	CBO / ADS	Executive leadership / Finance Committee	Policy update tracker
26	Identify procurement and approval pathway for external stabilization support	ADS	CEO / legal / procurement / CBO	Finance Committee / Governing Board	Procurement/approval pathway memo

27	Engage City/County partners on external stabilization scope and shared operating-model priorities	ADS / CEO	CBO / funders	City/County coordination / Finance Committee	Shared scope discussion summary
28	Develop or refine CoC / federal funding / HMIS continuity risk inventory if structural options remain under review	ADS	CoC / Data / contracts / legal	Governing Board / funders	Continuity risk inventory
29	Confirm near-term federal deadlines and reporting obligations	CoC / Finance	ADS / CEO	Executive leadership	Federal deadline tracker
30	Conduct first status review of strengthened reimbursement, gift card, P-card, and permissions controls	Compliance Officer / CBO	Accounting / program staff	Executive leadership / Finance Committee as needed	Control status update

90-Day Milestones — Target: August 21, 2026

#	Milestone	Lead / Owner	Support	Reporting Pathway	Documentation Artifact
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31	Present AR recovery, rebilling, adjustment, and write-off recommendations	ADS / CBO	Controller / CEO / accounting team	Finance Committee / funders	AR resolution recommendation memo
32	Formalize recurring monthly AR roll-forward reporting	Controller / CBO	Accounting team	Finance Committee / funders	Monthly AR roll-forward
33	Formalize recurring monthly advance roll-forward reporting	Controller / Accountant / CBO	Accounting team / funders	Finance Committee / funders	Monthly advance roll-forward
34	Present working-capital / reimbursement model options	ADS / CEO / CBO	City / County finance partners	Finance Committee / Governing Board / funders	Working-capital options memo
35	Present KCIP interest resolution pathway or decision issues	CBO / ADS	CEO / funders	Finance Committee / funders	KCIP interest resolution memo
36	Present recommended accounting adjustments or policy changes for contributed / combined funds	CBO	Controller / Compliance Officer / external support if approved	Finance Committee	Contributed funds recommendation memo

37	Identify systems/data-flow modernization priorities	CBO	Controller / systems support / external support if approved	Finance Committee	Systems modernization priority memo
38	Develop or refine revenue and receivables policy update plan	CBO / Compliance Officer	Controller / ADS	Executive leadership / Finance Committee	Policy update plan
39	Present administrative sustainability options	CEO / ADS / CBO	Finance Committee / funders	Finance Committee / funders	Administrative sustainability memo
40	Conduct first reimbursement sample review under strengthened controls	Compliance Officer	CBO	Executive leadership	Reimbursement sample review log
41	Formalize recurring P-card and gift-card reconciliation / exception reporting	Compliance Officer / CBO	Program staff	Executive leadership / Finance Committee as needed	Exception report
42	Update access controls and formalize recurring permissions review protocol	CBO / Compliance Officer	Systems support / ADS	Executive leadership / Finance Committee	Access control update log

43	Develop or refine decision-rights matrix for high-risk financial decisions	ADS / CBO	CEO / legal / Finance Committee	Finance Committee / Governing Board as needed	Decision-rights matrix
44	Provide first consolidated CAP status report	ADS / CBO	CEO / Finance leads	Finance Committee / Governing Board / funders	Consolidated CAP status report
45	Launch initial external stabilization engagement or present final engagement roadmap, depending on procurement and approval timing	CEO / ADS	CBO / legal / procurement / Finance Committee	Governing Board / funders	Engagement launch plan or roadmap
46	Develop or refine continuity protocol or transition-dependency map if structural options remain under review	ADS	CoC / Data / contracts / legal / funders	Governing Board / funders	Continuity protocol / transition map

CAP Dashboard Structure

KCRHA will maintain a CAP implementation dashboard or equivalent tracking tool throughout implementation. The dashboard will be updated regularly and used to support executive leadership review, Finance Committee reporting, funder coordination, and Governing Board updates.

Minimum Dashboard Fields

Dashboard Field	Purpose
Evaluation theme / issue area	Identifies the forensic evaluation theme or CAP workstream.
Corrective action	Describes the action KCRHA is taking.
Executive sponsor	Identifies the senior leader accountable for escalation and alignment.
Primary lead	Identifies the person responsible for moving the task forward.
Support roles	Identifies staff, funders, external partners, or departments needed.
Target date	Identifies the milestone date or reporting window.
Status	Tracks whether the item is not started, in progress, completed, delayed, or at risk.
Documentation artifact	Identifies the evidence that supports progress or completion.
Dependencies	Identifies funder, staffing, documentation, procurement, or governance dependencies.
Risk / barrier	Identifies what may delay or prevent completion.

Escalation needed	Identifies whether executive, Finance Committee, Board, funder, or external support action is needed.
Last updated	Tracks currency of the item.
Next reporting date	Identifies when the item will next be reviewed.

Recommended Status Categories

Status	Meaning
Not Started	Work has not yet begun.
In Progress	Work is underway and no material delay has been identified.
Completed / Documented	Work is complete and supporting documentation has been retained.
Pending Validation	Work has been completed internally but requires funder, accounting, legal, external, or governance validation.
Dependent on Funder Coordination	Progress depends on funder-side information, review, decision, or coordination.
Dependent on External Support	Progress depends on approval or availability of external stabilization support or specialized capacity.

Delayed Target date has slipped, but a revised path is identified.

At Risk A significant barrier exists and escalation is required.

Dashboard Workstream Categories

The dashboard will allow corrective actions to be grouped by workstream:

1. Negative KCIP cash position and cost-reimbursement model;
2. cash management and fund advances;
3. receivables, unbilled revenue, and approximately \$8M finding;
4. contributed / combined funds and allocation methodology;
5. accounting infrastructure, NetSuite, COA, cost centers, and reporting systems;
6. administrative overspend and administrative cost structure;
7. employee reimbursements, gift cards, P-cards, and cash equivalents;
8. segregation of duties, permissions, and approval workflows;
9. governance, policies, procedures, and decision rights;
10. external stabilization support and shared operating model;
11. CoC, HMIS/Data Hub, Coordinated Entry, provider payment, and regional continuity.

Reporting Cadence

KCRHA proposes the following reporting cadence during the initial CAP implementation period. The cadence may be refined by executive leadership, the Finance Committee, funders, or an external stabilization partner.

Audience / Body	Proposed Cadence	Primary Content
Executive leadership	Weekly during Phase 1; biweekly thereafter	Implementation status, barriers, decisions needed, risk escalation
Finance leadership / internal workgroup	Weekly or more frequently as needed	Technical workstream progress, reconciliations, documentation, controls

Finance Committee	Biweekly during Phase 1; monthly thereafter	CAP dashboard, financial condition, AR/KCIP/advances/admin spend, risk items
Governing Board	Monthly or as scheduled	High-level CAP progress, major risks, decisions requiring Board action
City/County funders	Biweekly or monthly during Phase 1; monthly/quarterly thereafter	Shared financial position, reimbursement issues, advances, milestone updates
External stabilization partner, if engaged	Weekly project cadence during initial engagement	Validation, implementation support, roadmap development, risk review

Escalation Framework

KCRHA will establish a clear escalation process for corrective action items that are delayed, under-resourced, dependent on external parties, or at risk of not meeting target milestones.

Escalation Triggers

Items will be escalated when any of the following occurs:

- target milestone is missed or materially delayed;
- capacity is insufficient to complete the work at the required depth;
- historical documentation is unavailable or incomplete;
- funder-side information is needed and not yet available;
- receivable balances cannot be validated or categorized;
- reimbursement timing or invoice disputes remain unresolved;
- KCIP exposure materially worsens;
- administrative spending materially exceeds forecast or approved authority;
- external stabilization support is needed but not yet approved;
- system limitations prevent required reporting or reconciliation;
- segregation-of-duties risks cannot be resolved without staffing changes or compensating controls;

- federal compliance, HUD/CoC, audit-readiness, or provider-payment risks are identified;
- there is significant disagreement between KCRHA and funders regarding methodology, timing, accounting treatment, or allowable use.

Escalation Pathways

Escalation Type	Initial Review	Secondary Review	Final / Governance Review
Technical accounting or reconciliation issue	Finance leadership	Executive leadership / external support if approved	Finance Committee
Funder reimbursement or advance issue	Finance leadership / ADS	City/County funder coordination	Finance Committee / Governing Board if material
Capacity or staffing constraint	Executive leadership	Finance Committee	Governing Board if resource decision required
Policy or control issue	Compliance Officer / Finance leadership	Executive leadership	Finance Committee if material
External stabilization issue	CEO / ADS	Finance Committee	Governing Board if approval required
Federal compliance / CoC / HMIS continuity issue	Responsible functional lead	Executive leadership	Governing Board / funders as needed

Material public or political risk

Executive leadership

Board leadership as appropriate

Governing Board / funders as appropriate

Documentation and Verification Expectations

KCRHA will retain documentation sufficient to support future review by executive leadership, the Finance Committee, the Governing Board, funders, auditors, and any approved external stabilization partner.

Documentation may include:

- AR categorization schedules;
- AR roll-forward reports;
- fund advance inventories;
- advance roll-forward reports;
- KCIP/cash-flow schedules;
- interest analysis;
- invoice rejection/delay trackers;
- contributed funds inventories;
- administrative overspend schedules;
- budget forecasts;
- variance reports;
- monthly close checklists;
- financial reporting packages;
- NetSuite/COA assessment materials;
- policies and procedures;
- reimbursement sample reviews;
- gift-card logs;
- P-card review logs;
- permissions matrices;
- access-change logs;
- meeting materials;
- funder correspondence;
- external stabilization scope memos;
- dashboard exports;
- and decision memos.

Progress will not be considered fully verified unless the relevant documentation artifact has been produced, retained, and made available through the appropriate oversight pathway.

Use of Appendix B Going Forward

Appendix B will be treated as a living implementation workplan. It will be updated as:

- milestones are completed;
- target dates are refined;
- owners are confirmed or reassigned;
- documentation is produced;
- capacity constraints are identified;
- funder dependencies are resolved;
- external stabilization support is approved or scoped;
- and new risks or barriers emerge.

The Finance Committee can use this appendix and the CAP dashboard to monitor progress, identify unresolved risks, and support a “trust but verify” oversight posture.

Appendix C — External Stabilization Support Scope and Objectives

Purpose

This appendix provides additional detail regarding KCRHA’s proposed use of external stabilization support to assist with corrective action implementation, financial stabilization, third-party validation, and development of a more durable shared operating model among KCRHA, the City of Seattle, and King County.

The purpose of external stabilization support is not to replace KCRHA’s responsibility for correcting its internal deficiencies. KCRHA remains accountable for remediation, operational improvement, financial controls, reporting, governance follow-through, and service continuity.

Rather, the purpose is to recognize that the scale, urgency, and complexity of the current remediation effort exceed KCRHA’s current internal capacity and capability alone. Successful implementation requires both internal accountability and supplemental external expertise.

For purposes of this CAP, “external stabilization support” should be understood broadly. The support could take the form of an outside consulting firm, a highly qualified interim CFO or senior finance executive, a senior accounting or controller-level specialist, a small technical

finance and accounting team, project-management support, or another approved structure capable of providing the necessary expertise, independence, and implementation support.

The essential requirement is not a particular vendor model. The essential requirement is credible external expertise sufficient to validate current conditions, support urgent remediation, and help establish a shared factual baseline for regional decision-making.

Why External Stabilization Support Is Needed

The forensic evaluation identified serious deficiencies in KCRHA's financial management, accounting infrastructure, reconciliation practices, documentation standards, internal controls, reporting, and governance oversight. KCRHA accepts these findings and recognizes the need for substantial corrective action. At the same time, many of the required remediation activities are technically complex, time-sensitive, and interdependent. They include:

- historical accounting reconstruction;
- receivables categorization;
- unbilled receivable review;
- cash-flow analysis;
- fund advance reconciliation;
- KCIP analysis;
- administrative overspend validation;
- contributed-funds and allocation review;
- accounting infrastructure and reporting-system assessment;
- internal control strengthening;
- policy modernization;
- dashboard implementation;
- and intergovernmental reimbursement alignment.

These activities must occur while KCRHA continues to administer provider contracts, reimburse providers, maintain HMIS and Coordinated Entry infrastructure, support Continuum of Care functions, meet federal and local reporting obligations, and preserve service continuity across the regional homelessness response system. KCRHA does not currently have sufficient internal capacity or specialized technical capability to complete this body of work at the pace and confidence level required by the current environment without additional support.

External stabilization support is therefore intended to address two related needs:

Capacity: Additional experienced personnel and project-management support are needed to accelerate remediation while core operations continue.

Capability: Specialized expertise is needed in public-sector finance, accounting controls, reconciliation, grant management, cost-reimbursement operating models, systems reporting, implementation governance, and intergovernmental financial workflows.

The issue is not only that KCRHA needs more staff time. It also needs specialized expertise to help design, validate, and implement a financial and operational structure appropriate for the complexity of the regional homelessness response system.

Relationship to Executive Finance Capacity

KCRHA recognizes that executive finance capacity is central to long-term stabilization. Following prior administrative restructuring and reduction-in-force decisions, KCRHA has not yet reestablished a permanent CFO or equivalent finance executive structure. While the forensic evaluation was underway, current executive leadership determined that the organization first needed to better understand the scope of deficiencies, the structure of required remediation, and the qualifications needed for future-state finance leadership.

With the evaluation now complete, KCRHA believes this is the appropriate moment to rebuild executive finance capacity in a sequenced manner: first through external stabilization support, interim specialist finance leadership, or another approved support structure; and then through recruitment, appointment, or restructuring of durable internal finance leadership aligned with the organization's long-term operating needs. This approach avoids simply refilling a prior position without first understanding the future-state finance structure required. External stabilization support should serve as a bridge between immediate remediation needs and durable internal finance leadership.

What External Stabilization Support Would Do

External stabilization support would support both technical remediation and regional operating-model stabilization.

Potential activities include the following.

1. Current-State Financial and Operational Validation

External stabilization support would review available information and help validate the current state of priority financial issues, including:

- unreconciled receivables;
- unbilled or potentially recoverable amounts;
- potentially unrecoverable balances;
- KCIP cash position and related interest expense;
- fund advances and advance reconciliation;

- administrative overspend and available offsets;
- contributed funds and allocation practices;
- invoice and reimbursement timing;
- and reporting and documentation gaps.

The objective would be to establish a common baseline for decision-making.

2. Reconciliation and Accounting Support

External support could assist KCRHA in:

- categorizing historical receivables;
- developing AR roll-forward schedules;
- developing fund advance roll-forward schedules;
- reviewing KCIP/cash-flow schedules;
- identifying balances requiring rebilling, adjustment, or write-off consideration;
- assessing documentation sufficiency;
- validating accounting treatment;
- and recommending repeatable reconciliation practices.

3. Cash-Flow, KCIP, and Working-Capital Analysis

External support could assist with:

- cash-flow forecasting;
- analysis of reimbursement timing;
- modeling of provider payment obligations;
- evaluation of accrued interest exposure;
- assessment of fund advance structure;
- development of working-capital or reserve options;
- and identification of escalation triggers for cash-flow risk.

This work would directly support regional decision-making regarding the cost-reimbursement model.

4. Administrative Cost and Budget Review

External support could help evaluate:

- administrative overspend drivers;
- one-time versus recurring administrative costs;
- available offsets or allowable funding corrections;
- administrative budget-to-actual reporting;
- variance escalation protocols;

- cost controls for consulting, legal, systems, and temporary staffing;
- and future-state administrative funding requirements.

This work would support both immediate budget discipline and longer-term sustainability.

5. Accounting Infrastructure and Reporting Systems

External support could help assess:

- NetSuite reporting configuration;
- chart-of-accounts structure;
- cost-center definitions;
- federal direct/pass-through tracking;
- generic or undefined account usage;
- manual workbook dependencies;
- Salesforce/NetSuite data flows;
- budget-to-actual reporting;
- and reporting-system modernization priorities.

This work would support more reliable financial reporting, audit readiness, and reduced dependence on manual reconstruction.

6. Internal Control and Policy Review

External support could assist with evaluation and strengthening of:

- employee reimbursement controls;
- gift card and cash-equivalent documentation;
- P-card controls;
- segregation of duties;
- accounting permissions;
- documentation retention;
- approval workflows;
- month-end close procedures;
- procurement controls;
- and recurring review protocols.

7. Implementation Roadmap and Dashboard

External support could help KCRHA translate the CAP into an implementation roadmap with:

- defined workstreams;
- responsible owners;
- target milestones;

- dependencies;
- documentation requirements;
- risk indicators;
- escalation triggers;
- and recurring dashboard reporting.

This would support the Finance Committee, Governing Board, funders, and executive leadership in tracking progress over time.

8. Intergovernmental Operating-Model Support

External support could provide neutral technical assistance to help KCRHA, the City, and the County align around:

- reimbursement workflows;
- invoice submission expectations;
- invoice review timelines;
- documentation standards;
- rejected-cost tracking;
- fund advance management;
- fund-source changes;
- shared definitions;
- escalation pathways;
- and recurring financial governance structures.

This role would be particularly valuable where current issues cross organizational boundaries and require shared resolution.

Proposed Initial Engagement Approach

KCRHA recommends that any external stabilization support begin with a focused initial phase centered on rapid validation, stabilization, and implementation planning.

This initial phase should be designed to answer the threshold question the region must resolve before making larger structural or financial decisions:

What is KCRHA's current validated financial and operational position, and what level of support is required to stabilize the organization responsibly?

This approach allows regional leaders to avoid prematurely committing to a large-scale transformation engagement before the current state, highest-priority risks, unresolved balances, and implementation requirements have been independently assessed.

Proposed Initial Phase

Phase 1 — Rapid Stabilization and Validation

Estimated duration: 60–90 days, subject to procurement, approval, and scoping.

Primary objectives:

- establish a shared factual baseline;
- validate priority financial exposures;
- review remediation progress already underway;
- identify urgent capacity and control gaps;
- develop a sequenced implementation roadmap;
- support City/County/KCRHA alignment on financial operating-model issues;
- and provide recommendations for any follow-on stabilization or modernization work.

Phase 1 Decision Gate

At the conclusion of the initial stabilization and validation phase, KCRHA, the Governing Board, and funding partners should evaluate whether additional external support is needed.

That decision should be based on:

- validated financial condition;
- status of receivables, advances, KCIP exposure, and administrative overspend;
- capacity of internal finance staff to continue implementation;
- complexity of remaining historical reconciliation work;
- strength of current internal controls;
- urgency of unresolved compliance or reporting risks;
- and level of intergovernmental coordination still required.

Potential next steps could include:

- concluding the external engagement after Phase 1 and transitioning work fully to internal staff;
- continuing limited targeted support for specific reconciliation or control workstreams;
- retaining an interim specialist CFO or controller-level resource;
- engaging a small technical team for defined implementation support;
- or approving a broader transformation engagement if the validated findings demonstrate that a larger intervention is necessary.

This staged approach allows the region to match the level of external support to the actual validated need, rather than assuming at the outset that a large-scale consulting engagement is required.

Relationship to City and County Partners

An effective external stabilization engagement should be structured to support shared regional confidence, not merely internal KCRHA analysis. Where appropriate, the City and County should be engaged in defining the initial scope, identifying shared priorities, validating funder-side information, participating in reimbursement and advance work sessions, and reviewing findings or recommendations relevant to intergovernmental workflows.

This does not mean City or County partners are responsible for KCRHA's internal deficiencies. KCRHA remains responsible for its internal controls and corrective actions. However, because many priority issues involve reimbursement timing, fund advances, fund-source changes, invoice review, and shared operating expectations, durable resolution requires active participation from all three entities.

Relationship to Finance Committee and Governing Board

External stabilization support should support, not replace, governance oversight.

The Finance Committee will receive recurring updates on the status of the engagement, major findings, emerging risks, implementation barriers, and recommended decision points.

The Governing Board will receive updates on major governance-level issues, including any recommended structural changes, significant resource needs, or decisions requiring Board action.

External stabilization support will strengthen the Board's ability to exercise oversight by providing clearer information, better implementation tracking, and independent validation where appropriate.

Relationship to Existing Staff

External stabilization support would supplement and support existing staff capacity, not simply critique or replace it. KCRHA staff hold important institutional knowledge regarding provider contracts, reimbursement history, systems implementation, program operations, funder relationships, and current remediation work. External support will help organize, validate, and accelerate this work while also identifying where current structures are insufficient for long-term sustainability.

A successful engagement will help KCRHA move from person-dependent workarounds toward documented, repeatable, and governed processes.

Procurement, Scope, and Cost Discipline

KCRHA recognizes that any external engagement must itself be governed carefully.

Cost discipline is especially important given the organization's administrative budget constraints and the broader concerns identified through the forensic evaluation. Remediation could become costly if all corrective action workstreams were performed entirely by external professionals. KCRHA is not proposing to outsource the full corrective action process or pursue an open-ended external engagement.

For that reason, external stabilization support will be scoped in a manner that is targeted, time-limited, and tied to specific deliverables, budget parameters, and decision points. The purpose of external support is to provide the minimum level of specialized expertise, independent validation, temporary capacity, and shared source-of-truth development necessary to support immediate stabilization and informed regional decision-making.

The engagement will have:

- a defined scope;
- a clear decision path;
- a time-limited initial phase;
- identified deliverables;
- budget parameters;
- reporting expectations;
- and a process for determining whether follow-on work is necessary.

The initial phase should be structured to establish a credible current-state baseline, validate priority financial and operational issues, support urgent stabilization, and identify whether additional support is needed.

Follow-on work should not be assumed. It should be separately evaluated, scoped, costed, reviewed, and approved based on demonstrated need, available funding, internal staff capacity, and regional priorities.

This approach is intended to avoid two risks: under-resourcing remediation in a way that fails to restore confidence, and over-scoping external support in a way that creates unnecessary administrative cost.

The initial stabilization engagement should not be framed as an open-ended or large-scale transformation effort. It should be a focused, disciplined engagement designed to establish a shared factual baseline, support immediate stabilization, and inform future decisions.

Near-Term Milestones

Milestone	Target Window	Purpose
Define proposed external stabilization scope	30 days / June 22, 2026	Clarify purpose, deliverables, decision points, and budget parameters.
Identify procurement and approval pathway	30–60 days / June 22–July 22, 2026	Determine how engagement can be authorized and funded.
Engage City/County partners on scope	30–60 days / June 22–July 22, 2026	Align scope with shared financial and operating-model priorities.
Present proposed engagement scope to Finance Committee	30–60 days / June 22–July 22, 2026	Support governance review and refinement.
Launch initial stabilization engagement, if approved	60–90 days / July 22–August 21, 2026	Begin validation, stabilization, and implementation support.
Complete current-state validation memo	After launch; target to be set in scope	Establish shared factual baseline.
Complete implementation roadmap and dashboard design	After launch; target to be set in scope	Support recurring CAP oversight.
Present Phase 1 decision-gate recommendation	At conclusion of initial engagement	Determine whether follow-on support is needed and, if so, at what scale.

Conclusion

The essential question is not whether KCRHA should hire a large consulting firm. The essential question is whether the region has a credible, independently supported way to establish where KCRHA actually stands, what must be corrected first, and what level of support is required to stabilize the organization responsibly. External stabilization support is a central component of

KCRHA’s proposed corrective action strategy because it directly addresses the current gap between the urgency and complexity of required remediation and the organization’s existing internal capacity and capability.

A focused initial phase can help establish a shared source of truth, validate priority financial issues, support implementation discipline, strengthen intergovernmental operating alignment, and provide regional stakeholders with greater confidence that corrective action is being pursued through a transparent and professionally managed process.

The objective is not simply to hire consultants. The objective is to stabilize and modernize the financial and operational infrastructure required to preserve and improve the regional homelessness response system.

Appendix D — KCIP, Cost-Reimbursement, Cash Advances, and Working-Capital Model

Purpose

This appendix provides additional detail regarding KCRHA’s cost-reimbursement operating model, the negative cash position within the King County Investment Pool (“KCIP”), related interest expense, fund advances, reimbursement timing, and the working-capital challenges associated with administering a large regional homelessness response system through reimbursement-based public funding.

This appendix is intended to clarify that the negative KCIP position is a serious financial, operational, and governance issue requiring corrective action. It should not, however, be understood as evidence of missing funds, fraud, or intentional misuse of public resources.

Rather, the negative cash position reflects the interaction of multiple factors, including:

- the cost-reimbursement structure through which KCRHA pays providers before receiving reimbursement from funders;
- delayed, rejected, or reworked invoices;
- inconsistent historical invoice documentation;
- funder review timelines;
- backend funding reallocations and fund-source changes;
- cash advances and related reconciliation complexity;
- accrued interest expense;

- and historical limitations in KCRHA’s cash-flow forecasting, reconciliation, accounting, and escalation practices.

KCRHA accepts responsibility for improving its invoicing quality, reconciliation discipline, cash-flow forecasting, administrative controls, documentation, and reporting practices. At the same time, sustainable resolution of the KCIP issue requires a shared understanding among KCRHA, King County, and the City of Seattle regarding the reimbursement and working-capital model that supports the regional homelessness response system.

Existing Practices and Needed Formalization

Many of the practices described in this appendix are not entirely new activities. In several areas, KCRHA already performs cash-flow monitoring, invoice tracking, reimbursement follow-up, advance review, receivables analysis, and funder coordination in some form.

The issue is not that these activities are wholly absent. Rather, the forensic evaluation and subsequent remediation work demonstrate that these practices have not always been sufficiently standardized, documented, reconciled, governed, or consistently integrated into a durable financial management structure.

Accordingly, this appendix should be understood as identifying the need to formalize, strengthen, document, and govern these practices more consistently. The objective is to move from partially developed or person-dependent practices toward a repeatable operating model supported by clear ownership, recurring reporting, shared definitions, documented reconciliation schedules, and regular Finance Committee and funder review.

Overview of the Cost-Reimbursement Model

KCRHA administers homelessness response funding across a complex portfolio of municipal, county, state, and federal funding sources. Most of these funds are restricted to specific allowable uses, program categories, providers, contract terms, and reporting requirements.

Under the cost-reimbursement model, KCRHA generally pays providers for eligible services and then seeks reimbursement from governmental funding partners. This means that provider payment obligations often occur before reimbursement is received.

In practice, this creates a timing gap:

1. Providers deliver services and submit invoices or reimbursement requests.
2. KCRHA reviews, processes, and pays eligible provider costs.
3. KCRHA prepares invoices or reimbursement requests to funders.
4. Funders review submitted reimbursement documentation.
5. Reimbursement is approved and paid to KCRHA.

6. KCRHA reconciles reimbursement activity against provider payments, fund sources, advances, and accounting records.

This model can function effectively when invoices are timely, documentation is complete, reimbursement review cycles are predictable, advances are clearly tracked, and working-capital structures are sufficient to cover timing differences. However, when reimbursement timing is delayed, invoices are rejected or reworked, fund sources change, advances are not reconciled promptly, or documentation is incomplete, the model can create significant cash-flow pressure.

What the Forensic Evaluation Identified

The forensic evaluation identified several issues related to negative cash position, cash management, cash advances, invoicing, and reconciliation.

Those issues included:

- inefficient invoicing processes;
- inaccurate or unsupported invoices;
- use of unbilled revenue without sufficient central tracking;
- expenditures incurred before related reimbursement or advance cash was available;
- advances that were retroactively applied;
- limited evidence of proactive interest-cost planning or payment plans;
- insufficient cash-flow monitoring;
- reconciliation activity occurring outside the accounting system;
- inconsistent recording of advance receipts across general ledger accounts;
- and lack of a standardized, system-driven cash monitoring report or dashboard.

KCRHA accepts these findings and is using them to structure corrective action.

Why the KCIP Balance Became Negative

The negative KCIP balance resulted from a combination of internal KCRHA weaknesses and structural features of the regional reimbursement model.

Internal KCRHA Factors

KCRHA acknowledges that historical internal practices contributed to the negative balance and related interest expense. These included:

- delayed invoicing to funders;
- inconsistent invoice quality;
- rejected or reworked invoices;
- incomplete or inconsistent supporting documentation;

- insufficient cash-flow forecasting;
- incomplete reconciliation of receivables, advances, and reimbursement activity;
- limited ability to produce timely and reliable financial reporting during earlier operating periods;
- lack of a standardized cash monitoring dashboard;
- insufficient escalation when cash-flow and reimbursement issues worsened;
- and lack of a documented interest resolution plan.

These internal weaknesses must be corrected.

Structural and Intergovernmental Factors

At the same time, the negative KCIP balance is not solely the result of internal KCRHA process deficiencies. It also reflects structural features of the regional funding model, including:

- provider payment obligations that precede reimbursement receipt;
- reimbursement review and approval timelines controlled by funding partners;
- annual agreement execution timing;
- funder-side invoice review requirements;
- changes in reimbursement cycles;
- backend funding reallocations and fund-source substitutions;
- cash advances that must be reconciled to later expenditures and reimbursements;
- and the need to maintain provider payment continuity even when reimbursement timing is delayed.

In a reimbursement-based system, the cost of maintaining service continuity must be carried somewhere. If KCRHA is expected to pay providers before reimbursement is received, then the region must have a clear and sustainable mechanism for managing the cash timing gap.

Without such a mechanism, the result is predictable: negative cash exposure, interest expense, and recurring pressure on organizational liquidity.

The “Cost of Money” Problem

The KCIP issue highlights a fundamental operating-model question for the region:

Who carries the cost of money required to operate a reimbursement-based homelessness response system?

KCRHA’s providers must be paid in a timely manner to preserve shelter operations, outreach, housing stability services, diversion, rapid rehousing, permanent supportive housing supports, and other essential homelessness response functions.

KCRHA does not have a large unrestricted reserve or independent working-capital base sufficient to absorb prolonged reimbursement delays across a large annual operating portfolio.

Accordingly, when provider payments occur before reimbursement is received, one of three things must occur:

1. KCRHA carries a negative cash position and incurs interest expense;
2. funders provide advances or a working-capital structure sufficient to cover timing gaps;
3. or providers experience delayed payments, which can destabilize service delivery.

The third option is inconsistent with the region's interest in maintaining service continuity. Therefore, the region must choose between continuing to tolerate negative KCIP exposure or developing a more sustainable advance, reserve, or working-capital model.

This is not merely an accounting question. It is an operating-model question for the regional homelessness response system.

Relationship Between KCIP, Receivables, Advances, and Administrative Overspend

The KCIP balance, unreconciled receivables, fund advances, and administrative overspend are related but distinct issues.

KCIP Balance

The KCIP balance reflects cash position and timing. A negative KCIP balance indicates that KCRHA's cash outflows exceeded available reimbursed cash or advances at a given point in time.

Receivables

Receivables represent amounts KCRHA believes are owed or expected from funders based on eligible expenditures, invoices, or reimbursement activity. When receivables are not reconciled clearly to invoices, funder payments, accounting records, and cash receipts, confidence in financial reporting is reduced.

Fund Advances

Fund advances can reduce negative cash exposure if they are available before expenditures occur and if they are tracked, applied, and reconciled clearly. If advances are applied retroactively, recorded inconsistently, or not reconciled to expenditures and reimbursements, they can contribute to additional accounting complexity.

Administrative Overspend

Administrative overspend reflects costs that exceeded approved administrative budget authority. Some of this overspend relates to the KCIP issue because interest expense associated with the negative cash position was not adequately budgeted, controlled, or resolved. These issues interact because delayed reimbursement and unreconciled receivables can worsen the cash position, which can increase interest expense, which can then contribute to administrative overspend. Corrective action therefore requires an integrated approach rather than isolated treatment of each issue.

Fund Advances and Reconciliation

Cash advances can help reduce negative cash exposure when structured and reconciled appropriately. However, advances also require strong tracking, documentation, and reconciliation practices.

A sustainable advance model will clearly identify:

- the source and purpose of each advance;
- the period covered;
- the funder providing the advance;
- the allowable uses;
- the expenditures charged against the advance;
- the reimbursements later applied;
- remaining balance or deficit;
- whether the advance is temporary, recurring, or intended as working capital;
- and how any unused or deficit balance will be treated.

KCRHA's corrective action work will include a monthly fund advance roll-forward that ties advances to:

- cash receipts;
- provider payments;
- invoices submitted;
- reimbursements received;
- general ledger activity;
- and funder-specific balances.

This will help reduce ambiguity regarding whether cash deficits are driven by timing, documentation gaps, unreimbursed eligible costs, unrecoverable balances, or structural working-capital insufficiency.

Invoice Rejection and Delay Tracking

A key corrective action for the KCIP and reimbursement model is formalizing a rejected-cost and invoice-delay tracking mechanism.

This tracking tool will provide visibility into:

- invoice submission date;
- funder;
- contract or agreement;
- funding source;
- amount submitted;
- amount approved;
- amount rejected or delayed;
- reason for rejection or delay;
- owner responsible for resolution;
- resolution pathway;
- expected resubmission date;
- expected payment date;
- and estimated cash-flow impact.

This tool will support both internal management and funder coordination. It will allow KCRHA, City, and County partners to distinguish among:

- invoice quality problems;
- documentation gaps;
- eligibility disputes;
- timing issues;
- funder review delays;
- agreement or budget authority issues;
- and accounting or coding errors.

The goal is to reduce iterative correction, ad hoc coordination, and uncertainty regarding the cash-flow consequences of rejected or delayed invoices.

Cash Monitoring and Forecasting

KCRHA will strengthen and formalize a standardized cash monitoring and forecasting process that integrates:

- KCIP balance;
- provider payment obligations;
- accounts receivable;

- unbilled receivables;
- fund advances;
- expected reimbursement submissions;
- expected reimbursement receipts;
- interest expense;
- and short- and medium-term obligations.

Cash-flow monitoring will be forward-looking, not only retrospective.

A recurring cash-flow forecast will allow management, the Finance Committee, and funders to identify:

- expected timing gaps;
- reimbursement delays;
- risk of worsening negative cash exposure;
- interest-cost implications;
- need for advance release or reimbursement acceleration;
- and escalation triggers.

Interest Expense and Resolution Planning

KCRHA recognizes that interest expense associated with the negative KCIP balance requires a documented resolution plan.

That plan will address:

- amount of accrued interest;
- period covered;
- cause or source of interest exposure;
- relationship to reimbursement timing and internal delays;
- whether any portion is recoverable, allowable, or allocable;
- whether any portion must be treated as administrative cost;
- whether any funder participation or agreement is required;
- and how future interest exposure will be prevented or reduced.

KCRHA will communicate with funders regarding how interest charges will be addressed and will report material interest exposure through the Finance Committee and CAP dashboard.

Corrective Action Approach

KCRHA's corrective action approach for the cost-reimbursement and KCIP operating model includes both internal improvements and intergovernmental coordination.

Internal KCRHA Improvements

KCRHA will prioritize:

- improving invoice timeliness;
- improving invoice quality and completeness;
- reducing invoice rejections and resubmissions;
- formalizing a rejected-cost and invoice-delay tracker;
- strengthening monthly cash-flow forecasting;
- formalizing monthly receivables roll-forward reporting;
- formalizing monthly advance roll-forward reporting;
- strengthening month-end close procedures;
- improving documentation retention;
- improving budget-to-actual reporting for administrative costs and interest expense;
- and escalating cash-flow risk earlier through executive and Finance Committee review.

Intergovernmental Coordination Improvements

KCRHA, King County, and the City of Seattle should work toward shared understanding and improved operating alignment regarding:

- reimbursement review timelines;
- invoice submission expectations;
- documentation standards;
- rejected-cost and invoice-delay tracking;
- advance structures;
- fund-source changes and backend reallocations;
- treatment of accrued interest;
- timing of annual agreement execution;
- frequency of reimbursement cycles;
- escalation pathways;
- and potential working-capital or reserve structures.

The goal should be to reduce negative cash exposure, improve predictability, lower interest costs, and strengthen transparency across all three entities.

Future-State Strengthening of the Operating Model

KCRHA recommends that the region formalize and strengthen the reimbursement and working-capital model through the following elements.

1. Monthly Cash-Flow Forecast

A rolling cash-flow forecast will project:

- expected provider payment obligations;
- expected reimbursement submissions;
- expected reimbursement receipts;
- advance balances;
- KCIP exposure;
- interest expense;
- and major timing risks.

2. Monthly Receivables Roll-Forward

A receivables roll-forward will identify:

- beginning receivable balance;
- invoices issued;
- reimbursements received;
- adjustments;
- write-offs or proposed write-offs;
- unbilled receivables;
- disputed or delayed items;
- and ending receivable balance.

3. Monthly Advance Roll-Forward

An advance roll-forward will identify:

- beginning advance balance;
- new advances received;
- expenditures applied;
- reimbursements or offsets;
- adjustments;
- disputed items;
- and ending advance balance.

4. Rejected-Cost and Invoice-Delay Tracker

A rejected-cost and invoice-delay tracker will identify:

- submitted invoices;
- rejected or delayed amounts;
- reason for rejection or delay;

- owner for resolution;
- expected resolution path;
- expected cash-flow impact;
- and escalation status.

5. Shared Reimbursement Standards

KCRHA and funders should establish shared expectations regarding:

- invoice submission format;
- documentation requirements;
- review timelines;
- rejection/resubmission procedures;
- escalation pathways;
- and fund-source change protocols.

6. Working-Capital or Reserve Evaluation

The region should evaluate whether KCRHA requires a formal working-capital mechanism to support provider payment continuity without relying on unmanaged negative KCIP exposure.

Potential options may include:

- scheduled funder advances;
- a formal working-capital reserve;
- reimbursement cycle adjustments;
- cash-flow triggers for advance release;
- interest-cost sharing or mitigation strategy;
- or other mutually agreed cash-management structures.

Near-Term Milestones

Milestone	Target Window	Purpose
Develop or refine KCIP/cash-flow reconciliation schedule	30 days / June 22, 2026	Strengthen shared understanding of cash position, reimbursement timing, advances, and interest exposure.
Complete initial fund advance inventory	30 days / June 22, 2026	Identify and classify open advances by funder, period, purpose, and balance.

Formalize rejected-cost and invoice-delay tracker	30–60 days / June 22–July 22, 2026	Improve visibility into rejected costs, invoice delays, resolution ownership, and cash-flow impact.
Strengthen cash-flow forecast and document assumptions	30–60 days / June 22–July 22, 2026	Improve visibility into expected cash needs and reimbursement timing.
Formalize monthly receivables roll-forward	60–90 days / July 22–August 21, 2026	Tie invoices, reimbursements, adjustments, and ending balances to financial records.
Formalize monthly advance roll-forward	60–90 days / July 22–August 21, 2026	Improve tracking of fund advances and offsets.
Present KCIP interest resolution pathway	60–90 days / July 22–August 21, 2026	Clarify treatment of accrued interest and future prevention strategy.
Present working-capital options	60–90 days / July 22–August 21, 2026	Support regional decision-making regarding sustainable cash model.
Initiate or formalize structured reimbursement standards work sessions	60–90 days / July 22–August 21, 2026	Align KCRHA, City, and County expectations on reimbursement timing, documentation, rejection/resubmission, and escalation.

Conclusion

The KCIP issue is one of the most important financial and structural challenges identified through the forensic evaluation and subsequent remediation work. KCRHA accepts responsibility for improving its internal invoicing, reconciliation, reporting, documentation, and cash-management practices.

The negative KCIP balance should not be described or understood as money that disappeared. It reflects a negative cash position created by a reimbursement-based operating model, provider payment obligations, reimbursement timing, cash advances, interest expense, and insufficient historical cash-management controls.

KCRHA's obligation is to correct internal weaknesses, reconcile historical balances, strengthen controls, and improve reporting. The region's shared obligation is to determine how the homelessness response system should sustainably finance the timing gap inherent in the cost-reimbursement model. Resolving this issue will require both internal corrective action and coordinated work with King County and the City of Seattle to develop a more transparent, predictable, and sustainable reimbursement and working-capital structure.

Appendix E — Accounting Infrastructure, NetSuite, Chart of Accounts, and Reporting Systems

Purpose

This appendix provides additional detail regarding KCRHA's accounting infrastructure, NetSuite configuration, chart of accounts, cost-center structure, reporting systems, revenue recognition, receivables policies, month-end close process, and related financial reporting improvements.

The forensic evaluation identified that KCRHA's financial systems and accounting infrastructure were not sufficiently configured, documented, or governed to support the scale and complexity of the organization's responsibilities. These weaknesses contributed to limited transparency, reliance on manual workbooks, difficulty tracing transactions, inconsistent reporting, and increased burden during audit, funder, and forensic review.

This appendix is intended to support the Corrective Action Plan by explaining how KCRHA will move from historically fragmented, person-dependent, and spreadsheet-heavy practices toward a more standardized, system-supported, documented, and auditable financial reporting environment.

Systems Existed, But Were Not Adequately Configured or Governed

KCRHA recognizes that the issue is not simply whether financial systems existed. NetSuite, Salesforce, HMIS, and other tools were in place or being implemented during relevant periods. The issue is whether those systems were configured, integrated, documented, and used in ways that supported reliable financial management, grant administration, funder reporting, audit readiness, and management decision-making.

The forensic evaluation identified several related issues, including:

- NetSuite was not fully configured or used to support KCRHA's reporting needs;
- budget-to-actual reports relied on manually prepared workbooks;
- chart-of-accounts structure did not sufficiently support certain federal reporting and grant-management needs;
- broad or generic account names reduced transparency;
- cost center usage was not consistently defined or applied;
- legacy fields from prior systems continued to create confusion;
- system permissions and transaction audit trails required stronger authorization and review controls;
- and financial reporting depended too heavily on informal explanations or manual reconstruction.

KCRHA accepts that these weaknesses must be corrected.

Relationship to the Broader CAP

This appendix is connected to several other CAP workstreams.

It supports the receivables and reimbursement workstream because reliable receivable balances require clear invoice-to-award, receivable-to-ledger, and cash-to-open-invoice reconciliation.

It supports the KCIP and cash-flow workstream because cash monitoring depends on reliable data regarding invoices, reimbursements, advances, provider payments, and outstanding obligations.

It supports the administrative overspend workstream because budget-to-actual reporting, variance escalation, and administrative cost controls depend on timely and accurate financial reporting.

It supports the internal controls workstream because permissions, approval workflows, system access, documentation retention, and month-end close are core parts of the control environment.

It supports federal grant and audit-readiness work because KCRHA must be able to distinguish funding sources, support allowable costs, document transactions, monitor subrecipient activity where applicable, and prepare reliable reporting schedules.

NetSuite Reporting and Configuration

The forensic evaluation noted that NetSuite was not configured or used in a way that fully supported KCRHA's reporting needs. For example, budget-to-actual reporting relied heavily on manually prepared workbooks rather than system-generated reports.

KCRHA will evaluate how NetSuite can better support:

- budget-to-actual reporting;
- administrative budget monitoring;
- program and contract reporting;
- grant and fund-source tracking;
- receivables reporting;
- invoice and reimbursement tracking;
- cash-flow reporting;
- fund advance reporting;
- federal direct and pass-through award tracking;
- cost-center reporting;
- and audit support.

The objective is not simply to produce more reports. The objective is to ensure that recurring financial information can be generated from a controlled and documented system environment rather than reconstructed manually through spreadsheets and ad hoc analysis.

Manual Workbooks and Spreadsheet Risk

Manual workbooks have been necessary in some areas because system reporting was not sufficiently configured or reliable. However, heavy reliance on manual workbooks creates several risks:

- formula errors;
- version-control problems;
- inconsistent assumptions;
- limited audit trail;
- person-dependent knowledge;
- difficulty reconciling to the general ledger;
- and reduced confidence among funders, auditors, and governance bodies.

Some transitional tools will remain necessary while systems are improved. However, major financial reporting workbooks will be documented, controlled, reconciled, reviewed, and gradually reduced where system-based reporting can replace them.

Near-term work will identify which manual reports are essential, which are high-risk, which can be standardized, and which can eventually be replaced by NetSuite, Salesforce, or other system-supported reporting.

Chart of Accounts

The chart of accounts should support clear, consistent, and transparent financial reporting. The forensic evaluation identified concerns that some account structures were too broad, generic, or insufficiently aligned with KCRHA's grant administration and reporting needs.

A strengthened chart of accounts will:

- clearly define account purpose;
- reduce reliance on "Other," "Miscellaneous," or undefined accounts;
- distinguish federal direct awards and federal pass-through awards where required;
- support Schedule of Expenditures of Federal Awards preparation;
- support funder-specific reporting;
- support grant and contract administration;
- support administrative versus program cost classification;
- support receivable, advance, and reimbursement tracking;
- and align with KCRHA's actual operating and reporting needs.

KCRHA will review the chart of accounts and identify needed changes, including whether account names, account definitions, posting rules, and reporting fields will be updated.

Federal Direct and Pass-Through Award Tracking

KCRHA administers and coordinates funding from multiple federal, state, county, city, and restricted sources. Federal direct and pass-through funding may carry different reporting, compliance, and audit implications.

Accounting infrastructure will support reliable identification of:

- federal direct awards;
- federal pass-through awards;
- non-federal public funding;
- restricted local funding;
- private or contributed funds;
- administrative funding;
- and program funding.

This is important for federal grant administration, SEFA support, audit readiness, cost allowability, subrecipient monitoring, and compliance with applicable award terms.

Where current accounts or coding structures do not clearly support these distinctions, KCRHA will identify improvements to the chart of accounts, cost centers, grant fields, or reporting logic.

Cost Centers, Programs, Grants, Contracts, and Reporting Fields

The forensic evaluation identified inconsistencies between documented cost-center design and actual general ledger usage. Cost center fields and reporting dimensions were not always consistently understood or applied.

KCRHA will clarify how financial activity is tracked across:

- funder;
- grant;
- contract;
- provider;
- program;
- project;
- department;
- funding source;
- cost center;
- and reporting period.

This work will produce a clear data dictionary or coding guide that identifies:

- which fields are authoritative for reporting;
- which fields are used for management analysis;
- which fields are legacy or transitional;
- how fields connect to Salesforce, NetSuite, contracts, invoices, and funder reports;
- and which fields will no longer be used or will be used only with documented explanation.

The goal is to ensure that costs can be consistently traced from provider contract or internal expense to funding source, accounting record, reimbursement request, and reporting output.

Legacy Fields and System Transition Issues

KCRHA's early systems environment included transitions from earlier contract-management tools to Salesforce-based grants and contracts infrastructure. Legacy fields from prior systems may continue to appear in accounting or reporting structures.

KCRHA will review legacy fields and determine whether they will be:

- retired;

- renamed;
- mapped to current reporting fields;
- retained only for historical reference;
- or documented as transitional fields with limited current use.

Unresolved legacy fields can create confusion, inconsistent reporting, and increased reliance on institutional memory. A future-state system will reduce ambiguity by clearly identifying which fields are active, authoritative, historical, or deprecated.

Salesforce and NetSuite Data Flows

KCRHA's grants/contracts management and accounting functions depend on reliable data flows between Salesforce and NetSuite.

The CAP will include review of whether system data flows support:

- contract setup;
- funding source assignment;
- provider invoice tracking;
- contract utilization reporting;
- funder billing;
- reimbursement tracking;
- receivables reporting;
- budget-to-actual reporting;
- compliance documentation;
- and audit support.

Where data cannot be transferred, reconciled, or reported reliably, KCRHA will identify whether the issue is one of system configuration, process design, data entry, permissions, reporting logic, or staff training.

The objective is to ensure that Salesforce and NetSuite function as complementary parts of a controlled financial management environment, rather than parallel systems requiring extensive manual reconciliation.

Month-End Close Process

A disciplined month-end close process is central to reliable financial reporting.

KCRHA will formalize a month-end close process that includes:

- close calendar;
- assigned preparers and reviewers;

- required reconciliations;
- required supporting schedules;
- cutoff rules;
- journal entry review;
- variance review;
- unresolved item log;
- supervisory sign-off;
- executive review of material issues;
- and retention of supporting documentation.

Key monthly reconciliations will include:

- KCIP and cash activity;
- accounts receivable;
- fund advances;
- accounts payable;
- provider payments;
- grant and fund-source balances;
- administrative budget-to-actual;
- restricted funds;
- and major balance sheet accounts.

The close process will clearly distinguish between:

- completed reconciliations;
- unresolved reconciling items;
- balances pending funder confirmation;
- proposed adjustments;
- historical items requiring further review;
- and items requiring escalation.

The goal is to move from reactive cleanup toward recurring financial discipline.

Revenue Recognition and Receivables Policies

KCRHA will review and update revenue recognition and receivables policies so they clearly support proper recognition, billing, aging, collectability, allowance, write-off, and deferral rules by revenue stream.

Updated policies will address:

- when revenue is recognized;
- when receivables are recorded;

- how unbilled revenue is tracked;
- how receivables are aged;
- how collectability is assessed;
- when allowances are required;
- when write-offs are considered;
- who approves write-offs or adjustments;
- how cash receipts are matched to invoices;
- how advances are distinguished from revenue;
- and how documentation is retained.

This work is directly connected to the approximately \$8M receivables finding. A future-state receivables process will allow KCRHA to explain beginning balances, invoices issued, reimbursements received, adjustments, write-offs, unbilled receivables, disputed items, and ending balances through a documented roll-forward.

Reporting Package

KCRHA will implement a standard recurring financial reporting package for executive leadership, the Finance Committee, and other oversight bodies.

The reporting package will include, as appropriate:

- statement of financial position or balance sheet summary;
- budget-to-actual report;
- administrative budget-to-actual report;
- year-end forecast;
- KCIP balance and cash-flow forecast;
- accounts receivable aging;
- AR roll-forward;
- fund advance roll-forward;
- invoice rejection/delay tracker;
- major reimbursement delays or disputes;
- administrative variance explanations;
- open reconciling items;
- CAP implementation status;
- and unresolved risks requiring escalation.

Reporting will be designed to support decision-making, not merely retrospective review.

System Permissions and Audit Trail Review

The forensic evaluation identified concerns related to system access, transaction revisions, deletions, and authorization evidence for higher-risk actions.

KCRHA will review system permissions and audit-trail practices to ensure that access and authority are aligned with role responsibilities and segregation-of-duties expectations.

This review will include:

- who can create transactions;
- who can edit transactions;
- who can delete or void transactions;
- who can approve transactions;
- who can post journal entries;
- who can modify vendor or provider records;
- who can change system configurations;
- who can run or modify reports;
- and who reviews high-risk changes.

Where staffing limitations prevent ideal segregation of duties, compensating controls will be documented. These may include supervisory review, secondary approval, exception reporting, periodic external review, or Finance Committee visibility for material risks.

Relationship to External Stabilization Support

External stabilization support may be especially helpful in this area because accounting infrastructure improvements require specialized knowledge of public-sector accounting, grant reporting, system configuration, internal controls, and implementation sequencing.

External support could assist with:

- NetSuite configuration assessment;
- chart-of-accounts review;
- cost-center and reporting-field design;
- Salesforce/NetSuite data-flow mapping;
- month-end close design;
- reporting package development;
- revenue recognition and receivables policy review;
- and audit-readiness documentation.

External support will not replace internal ownership. It will help KCRHA identify the future-state architecture and implementation sequence needed to maintain reliable reporting over time.

Near-Term Milestones

Milestone	Target Window	Purpose
Update monthly close checklist	30 days / June 22, 2026	Strengthen recurring close structure and documentation expectations.
Update/draft standard financial reporting package	30 days / June 22, 2026	Strengthen common reporting structure for executive and Finance Committee review.
Inventory manual financial workbooks currently used for key reporting	30–60 days / June 22–July 22, 2026	Understand spreadsheet dependencies, version-control risk, and reporting limitations.
Conduct initial NetSuite reporting assessment	60 days / July 22, 2026	Evaluate current reporting capacity, configuration gaps, and opportunities to reduce manual reporting dependence.
Conduct initial chart-of-accounts and cost-center assessment	60 days / July 22, 2026	Identify structural changes needed to improve transparency, reporting, fund tracking, and audit readiness.
Review Salesforce/NetSuite data-flow limitations	60–90 days / July 22–August 21, 2026	Identify integration, reporting, and reconciliation issues.
Develop or refine revenue recognition and receivables policy update plan	60–90 days / July 22–August 21, 2026	Strengthen revenue, AR, unbilled, collectability, adjustment, and write-off rules.

Identify systems/data-flow modernization priorities	60–90 days / July 22–August 21, 2026	Support phased modernization and external support scoping.
Develop or refine accounting-system permissions review protocol	60–90 days / July 22–August 21, 2026	Strengthen access controls, audit-trail review, and recurring permissions oversight.

Conclusion

The accounting infrastructure issue is not simply a software problem. It is a financial management architecture problem. KCRHA had systems in place, but those systems were not sufficiently configured, documented, integrated, and governed to support the level of reporting, traceability, and audit readiness required for a regional homelessness response authority administering complex public and restricted funds.

The organization must move from manual, person-dependent, and historically fragmented reporting practices toward system-supported, documented, repeatable, and auditable financial management. This work is central to resolving historical findings, preventing recurrence, supporting Finance Committee oversight, meeting federal and funder expectations, and rebuilding confidence in KCRHA’s financial stewardship.

Corrective action therefore requires more than fixing individual transactions. It requires building a more disciplined financial reporting architecture: clear chart of accounts, defined cost centers, reliable system data flows, month-end close, documented revenue recognition, AR roll-forwards, controlled reporting packages, and governance review.

Appendix E is therefore a core element of the CAP. It addresses the underlying accounting architecture needed to support all other corrective action workstreams.

Appendix F — Administrative Cost Structure and Funding Model

Purpose

This appendix provides additional detail regarding KCRHA’s administrative cost structure, the administrative overspend identified through the forensic evaluation, and the relationship between administrative funding, organizational capacity, compliance obligations, financial controls, and regional system performance.

KCRHA accepts that administrative costs exceeded approved budget authority during portions of the review period and that stronger budget monitoring, variance escalation, cost controls, and governance oversight were required. Administrative overspend is a serious issue and must be corrected.

At the same time, sustainable correction requires more than one-time cost reductions. It requires a clear understanding of the administrative infrastructure needed to responsibly administer a complex regional homelessness response system supported by municipal, county, state, federal, and restricted funding sources.

This appendix is intended to support that discussion by distinguishing between:

- historical administrative overspend requiring correction;
- one-time costs associated with systems modernization, legal issues, interest expense, and temporary staffing;
- recurring administrative costs required to operate the regional homelessness response system responsibly;
- administrative funding limitations created by indirect cost structures and restricted funding;
- program underspend and allowable stabilization options;
- and future-state controls needed to ensure administrative costs remain within approved authority.

Administrative Overspend and Administrative Capacity

KCRHA recognizes that administrative overspend cannot be explained away by the complexity of the work. The organization must operate within approved budgets and must maintain reliable internal controls to identify, escalate, and correct spending variances in a timely manner.

However, KCRHA also recognizes that administrative capacity is not incidental to the work of homelessness response. Administrative functions are the infrastructure through which public funds are contracted, monitored, paid, reconciled, reported, and audited.

For an organization administering approximately \$190M–\$200M annually across a complex portfolio of municipal, county, state, federal, and restricted funding sources, administrative infrastructure includes:

- finance and accounting;
- grants management;
- contract administration;
- provider reimbursement;
- compliance monitoring;
- procurement;
- federal reporting;
- HMIS and data administration;
- Coordinated Entry administration;
- legal and risk management;
- policy and procedure maintenance;
- audit readiness;
- governance reporting;
- and funder coordination.

The question for future-state stabilization is therefore not whether KCRHA should reduce inappropriate, unsupported, or unauthorized administrative spending. It should. The question is how to ensure that the administrative structure is both disciplined and sufficient for the scale, risk, and compliance complexity of the responsibilities assigned to KCRHA.

Administrative Overspend Identified Through the Forensic Evaluation

The forensic evaluation identified approximately \$4.26M in administrative overspend, including interest expense associated with the negative KCIP cash position.

KCRHA accepts that administrative spending exceeded approved authority during portions of the review period and that existing controls did not sufficiently prevent, detect, or escalate these issues.

Based on KCRHA's current review, the administrative overspend appears to have been driven by a limited number of major categories, including:

- interest expense associated with the negative KCIP balance;
- Salesforce implementation and related systems modernization costs;
- legal and consulting expenses;

- reliance on contracted or temporary administrative and finance staffing;
- and other administrative costs incurred during a period of organizational instability, leadership transition, and system implementation.

KCRHA has applied approximately \$1.5M in available funding (invoices pending) to reduce remaining administrative overspend exposure, with final documentation and reporting treatment reflected through the CAP implementation process.

KCRHA is continuing to review the remaining balance to distinguish:

- recurring administrative costs;
- one-time implementation or transition costs;
- costs requiring reclassification;
- costs requiring funder discussion;
- costs requiring budgetary correction;
- and costs requiring future governance or approval controls.

Major Cost Drivers Requiring Review

1. KCIP Interest Expense

Interest expense associated with the negative KCIP balance contributed to administrative overspend. This interest expense reflects both internal cash-management weaknesses and the structural cost of operating within a reimbursement-based funding model when provider payments precede reimbursement.

KCRHA must:

- validate total accrued interest exposure;
- determine proper accounting and budget treatment;
- evaluate whether any portion is recoverable, allowable, or allocable;
- establish a documented resolution pathway;
- and reduce future exposure through improved cash-flow forecasting, reimbursement coordination, and working-capital planning.

2. Salesforce and Systems Modernization Costs

KCRHA's transition to Salesforce-based grants and contracts infrastructure was intended to improve provider contract management, spend visibility, compliance tracking, and future-state operating controls. However, the forensic evaluation identified concerns regarding the timing, approval, budgeting, and total cost of Salesforce-related implementation.

KCRHA must distinguish between:

- approved system implementation costs;
- costs that exceeded original estimates or budget authority;
- project management or consulting costs;
- ongoing system maintenance costs;
- and one-time modernization investments needed to correct prior system limitations.

Future system implementation or modernization costs will be supported by documented approval, budget authority, project scope, cost controls, and governance reporting.

3. Legal and Consulting Expenses

Legal and consulting expenses contributed to administrative spending pressure during the review period. Some of these costs may have been related to organizational stabilization, governance issues, audit response, system development, or remediation work.

KCRHA has strengthened approval controls for legal and consulting engagements by ensuring:

- documented business purpose;
- budget authority;
- approval thresholds;
- scope and deliverables;
- contract monitoring;
- and periodic reporting of material commitments.

4. Temporary and Contracted Staffing

The forensic evaluation and internal review identified reliance on contracted or temporary staffing as a significant administrative cost driver. Temporary staffing may be necessary during vacancy periods, transition periods, or specialized remediation work, but long-term reliance on contracted staff can substantially increase administrative costs and create institutional-memory risk.

In late 2024, KCRHA ended ongoing reliance on temporary staffing and now distinguishes between:

- short-term temporary staffing needed to maintain operations;
- specialized temporary support needed for remediation;
- long-term contracted staffing that may be more cost-effective as permanent employment;
- and external stabilization support with defined scope, deliverables, and decision gates.

The objective is not to prohibit temporary or contracted support. The objective is to ensure that such support is used intentionally, approved properly, cost-controlled, and aligned with a long-term finance and administrative staffing strategy.

One-Time Costs vs. Recurring Administrative Costs

A critical element of the corrective action process is distinguishing one-time historical costs from recurring administrative obligations.

Some administrative costs identified during the review period appear related to unusual or transitional conditions, including:

- system implementation and modernization work;
- temporary or contracted staffing needed during periods of vacancy or leadership instability;
- legal expenses tied to specific organizational circumstances;
- consulting support associated with remediation, audits, or system development;
- and interest expense tied to the negative KCIP balance and reimbursement timing.

These costs will be evaluated differently from recurring administrative costs required to operate the organization.

Recurring administrative costs include the ongoing staff, systems, and processes needed to:

- process provider reimbursements;
- maintain accounting records;
- administer grants and contracts;
- monitor provider compliance;
- manage federal, state, county, and city reporting requirements;
- maintain HMIS and data systems;
- support Board and committee reporting;
- maintain policies, procedures, and internal controls;
- and prepare for audit and funder review.

Future administrative budgeting will clearly distinguish between:

- recurring core administrative costs;
- one-time implementation or modernization costs;
- remediation costs;
- externally driven or unfunded compliance costs;
- and interest or cash-management costs tied to the reimbursement model.

This distinction will help prevent future overspend from being obscured by commingled cost categories.

Relationship Between Administrative Cost and System Risk

The forensic evaluation demonstrates that inadequate administrative infrastructure can create material risk.

Weak administrative capacity can contribute to:

- delayed invoicing;
- unresolved receivables;
- incomplete reconciliations;
- weak documentation;
- inadequate budget monitoring;
- cash-flow pressure;
- audit findings;
- provider payment delays;
- funder distrust;
- and increased remediation costs.

In this sense, administrative spending is not separate from service delivery. Responsible administrative infrastructure protects service delivery by ensuring that provider contracts are executed, invoices are paid, funds are tracked, compliance requirements are met, and federal, state, and local funding is preserved.

Underinvestment in administrative infrastructure can create deferred operational risk. When core finance, accounting, contracting, compliance, and reporting systems are insufficiently developed, the eventual cost to correct those deficiencies can exceed the cost of building appropriate infrastructure earlier.

This does not justify overspending. Rather, it underscores the importance of building an administrative model that is both controlled and adequate.

Indirect Cost Structure and Funding Constraints

KCRHA's administrative capacity depends heavily on indirect and administrative cost allowances provided by funders. Much of KCRHA's funding is restricted and flows through to direct service providers. Restricted funding often cannot be freely used to support core administrative infrastructure unless explicitly allowed.

In some cases, administrative or indirect allowances may not fully reflect the true cost of administering complex public funding portfolios.

For example, KCRHA administers a large City-funded or County-funded portfolio through a relatively low indirect or administrative allowance. The available administrative support may be insufficient to cover the full cost of:

- contract development and execution;
- provider payment processing;
- invoice review;
- cost eligibility review;
- documentation management;
- compliance monitoring;
- financial reporting;
- audit preparation;
- funder coordination;
- and reconciliation.

KCRHA must operate within approved administrative budgets, but the region should also evaluate whether the administrative funding model is aligned with the responsibilities KCRHA is expected to perform.

As part of administrative sustainability work, KCRHA will conduct an indirect cost rate and cost-recovery analysis aligned with Uniform Guidance. This analysis will evaluate current indirect and administrative allowances, documented allocation methodologies, opportunities to improve cost recovery, and whether an indirect cost rate proposal or funder-specific rate negotiation is appropriate.

A sustainable administrative model will reflect:

- volume of contracts;
- complexity of funding sources;
- compliance requirements;
- federal and state reporting obligations;
- reimbursement model requirements;
- monitoring expectations;
- systems maintenance costs;
- governance and reporting obligations;
- and audit-readiness expectations.

Program Underspend, Administrative Constraints, and Budget Governance

KCRHA recognizes and accepts that administrative spending must remain within approved budget authority. Where administrative funding is insufficient to support current operations, KCRHA must address that condition through cost reduction, formal budget action, approved

reallocation, or transparent engagement with funding partners and governance bodies. Administrative overspend cannot become an informal operating model.

For 2026, KCRHA is actively evaluating administrative cost reductions to address current budget constraints and align spending with available administrative resources. These decisions are difficult and may affect organizational capacity, but they reflect KCRHA's obligation to operate within approved administrative limits while prioritizing core finance, compliance, contracting, reimbursement, and provider-payment functions.

At the same time, KCRHA's broader operating environment includes recurring program underspend that can emerge across restricted funding streams due to timing, contracting delays, hiring delays, program ramp-up, provider capacity constraints, eligibility restrictions, or other implementation factors. In some years, program underspend can create significant year-end flexibility for funding partners and the regional system.

Program underspend can be useful when governed transparently. It can support one-time stabilization needs, preserve services, address emergent gaps, or offset allowable costs where approved. However, when underspend is identified late in the year or managed through ad hoc reallocation processes, it can also contribute to reactive budgeting, unclear expectations, and misalignment between formal budget authority and actual year-end funding decisions.

KCRHA also recognizes that responsibly managed program underspend may represent one of the region's most practical near-term tools for balancing several competing obligations: preserving direct service investments, maintaining administrative budget discipline, resolving prior-year administrative exposure where allowable, and reducing the interest and cash-flow pressure associated with the negative KCIP position.

Where program underspend is available, allowable, and approved through appropriate funder and governance processes, it may be considered for one-time stabilization purposes, including:

- offsetting validated administrative overspend;
- supporting one-time remediation or modernization costs;
- reducing negative cash exposure or associated interest costs;
- preserving provider payment continuity;
- and supporting transition to a more sustainable administrative and financial operating model.

However, program underspend should not become an informal substitute for a realistic administrative budget. Nor should it be treated as unrestricted funding absent funder approval, legal review, and clear documentation of allowable use. Any use of program underspend for stabilization purposes should be transparent, documented, time-limited where appropriate, and reviewed through the Finance Committee, Governing Board, and funding partner processes.

Where required, such use should also be consistent with applicable funder restrictions, budget authority, and governmental approval processes.

KCRHA believes future-state budget governance should more clearly distinguish among:

- recurring administrative funding needs;
- one-time remediation or modernization costs;
- restricted program funding;
- program underspend;
- approved reallocations;
- allowable administrative offsets;
- and cash-flow / interest mitigation strategies.

Strengthening this distinction would improve transparency, reduce year-end budget volatility, and support more disciplined decision-making among KCRHA, funders, the Governing Board, and elected policymakers.

Corrective Action Approach

KCRHA's corrective action approach to administrative cost structure includes both immediate controls and future-state model development.

Immediate Administrative Cost Controls

KCRHA will prioritize:

- validating the remaining administrative overspend balance;
- identifying available offsets or funding corrections;
- distinguishing recurring costs from one-time costs;
- implementing monthly administrative budget-to-actual reporting;
- establishing variance thresholds requiring escalation;
- limiting discretionary spending;
- strengthening approval controls for consulting, legal, systems, and implementation costs;
- reviewing temporary and contracted staffing commitments;
- improving coding and classification of administrative versus program costs;
- and reporting administrative spending trends to executive leadership and the Finance Committee.

Future-State Administrative Model

KCRHA will also evaluate the future-state administrative funding model needed to support its responsibilities.

This work will include:

- identifying core administrative functions required for KCRHA's role;
- distinguishing required functions from discretionary functions;
- evaluating current staffing and capability gaps;
- assessing whether current indirect rates and administrative allowances are sufficient;
- identifying one-time remediation and modernization costs separately from recurring administrative costs;
- conducting an indirect cost rate analysis and cost-recovery assessment, including evaluation of whether current indirect rates, administrative allowances, and allocation methodologies are sufficient and whether negotiation with funders is appropriate;
- evaluating whether some administrative costs will be treated as direct program support where allowable;
- and developing a sustainable administrative budget framework for funder and Board review.

Proposed Administrative Budget Controls

KCRHA will formalize a set of administrative budget controls to prevent recurrence of overspend.

1. Monthly Administrative Budget-to-Actual Reporting

Monthly reporting will compare actual administrative spending to the approved budget by major cost category.

At minimum, reporting will identify:

- personnel costs;
- contracted staffing;
- consulting;
- legal;
- systems/software;
- interest expense;
- facilities;
- insurance;
- administrative allocations;
- and other major administrative categories.

2. Variance Thresholds and Escalation

KCRHA will establish variance thresholds that trigger review and escalation.

Examples may include:

- category variance above an agreed percentage threshold;
- projected year-end administrative overspend;
- unbudgeted consulting or system implementation costs;
- unusual legal expenses;
- interest expense above forecast;
- or staffing cost variances.

Escalated variances will be reviewed by executive leadership and reported to the Finance Committee where material.

3. Distinction Between One-Time and Recurring Costs

Budget reporting will separately identify one-time, remediation, modernization, and recurring administrative costs.

This will improve transparency and prevent temporary costs from becoming hidden structural overspend.

4. Administrative Sustainability Review

KCRHA will conduct a structured administrative sustainability review with funders and the Finance Committee.

This review will evaluate:

- whether administrative funding levels match assigned responsibilities;
- whether indirect rates are adequate;
- which functions are required to administer restricted public funds;
- which modernization costs are one-time versus ongoing;
- and what level of administrative infrastructure is necessary to maintain compliance, reporting, and service continuity.

Relationship to Finance Department Stabilization

Administrative cost structure is directly connected to finance department stabilization.

The forensic evaluation and subsequent remediation work indicate that KCRHA requires stronger finance leadership, accounting systems expertise, reconciliation capacity, and grant-management infrastructure.

Future administrative planning will therefore prioritize core functions that reduce financial and compliance risk, including:

- CFO/controller-level leadership;
- accounting and close capacity;
- grant accounting;
- receivables and reimbursement management;
- cash-flow forecasting;
- compliance and monitoring;
- audit preparation;
- systems administration;
- and financial reporting.

Where administrative reductions are necessary, KCRHA will prioritize preserving or strengthening the functions most directly tied to financial control, compliance, provider payment continuity, and audit readiness.

Potential Administrative Realignment

KCRHA may need to evaluate whether existing administrative resources are aligned with the organization’s current risk profile and institutional needs.

Given the seriousness of the forensic findings, near-term administrative priorities will focus on:

- finance and accounting stabilization;
- contract and grant compliance;
- reimbursement and receivables management;
- internal controls;
- financial reporting;
- audit readiness;
- governance support;
- and provider payment continuity.

This may require rebalancing administrative spending away from less urgent functions and toward the core financial, compliance, and operational infrastructure needed to stabilize the organization.

Such realignment should be handled carefully, with attention to organizational capacity, staff impacts, service continuity, and strategic priorities.

Near-Term Milestones

Milestone	Target Window	Purpose
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Validate remaining administrative overspend exposure	30 days / June 22, 2026	Establish current amount requiring correction or resolution.
Identify available offsets or funding corrections	30 days / June 22, 2026	Clarify whether remaining exposure can be reduced through valid accounting treatment or available funding.
Update administrative budget forecast and document assumptions	30 days / June 22, 2026	Improve visibility into projected year-end administrative position.
Strengthen monthly administrative budget-to-actual reporting	30–60 days / June 22–July 22, 2026	Establish recurring oversight and variance tracking.
Confirm and formalize variance escalation thresholds	30–60 days / June 22–July 22, 2026	Ensure overspend risk is identified early.
Review consulting, legal, systems, and temporary staffing commitments	60 days / July 22, 2026	Identify cost controls and approval requirements.
Develop/refine administrative sustainability analysis	60–90 days / July 22–August 21, 2026	Evaluate whether the administrative funding model aligns with assigned responsibilities.
Scope indirect cost rate analysis and cost-recovery assessment	60–90 days / July 22–August 21, 2026	Align administrative sustainability work with Uniform Guidance, evaluate cost-recovery opportunities, and determine whether an indirect cost rate proposal or

funder-specific negotiation is appropriate.

Present administrative sustainability options to Finance Committee and funders	60–90 days / July 22–August 21, 2026	Support future-state budget and operating-model decisions.
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Conclusion

Administrative overspend is serious and must be corrected. KCRHA accepts responsibility for strengthening administrative controls, budget monitoring, approval processes, and reporting.

At the same time, administrative spending should not be understood only as overhead disconnected from mission. Administrative infrastructure is the mechanism through which public funds are contracted, monitored, paid, reconciled, reported, and protected.

Sustainable correction requires both immediate budget discipline and a realistic future-state administrative funding model. KCRHA must operate within approved administrative authority, and the region must ensure that the administrative structure supporting KCRHA is sufficient to protect public funds, preserve service continuity, meet compliance obligations, and support transparent regional governance.

The objective moving forward is a disciplined, transparent, and sustainable administrative cost structure aligned with KCRHA’s responsibilities as the regional backbone organization for homelessness response in King County.

Appendix G — Internal Controls, COSO, 2 CFR Part 200, HUD/CoC, and Audit Readiness

Purpose

This appendix provides additional detail regarding KCRHA’s finance and internal control enhancement work. It supports the Corrective Action Plan by identifying operational control areas KCRHA is strengthening in response to the forensic evaluation, prior audit findings, federal grant-management expectations, HUD/CoC obligations, and ongoing remediation planning.

The controls described in this appendix are foundational to KCRHA's ability to protect public funds, maintain accurate financial records, support provider payment continuity, meet funder and federal requirements, improve audit readiness, and rebuild confidence among funders, the Governing Board, providers, and the public.

KCRHA recognizes that some of the activities described below are already underway, while others require further formalization, documentation, system configuration, staff training, additional capacity, or external support. This appendix should therefore be understood as both a summary of control improvements already initiated and a roadmap for strengthening KCRHA's financial control environment.

Internal Controls as Core Operating Infrastructure

The forensic evaluation identified significant weaknesses in KCRHA's financial controls, documentation practices, accounting infrastructure, reconciliation processes, reporting systems, and governance oversight.

KCRHA accepts the need to strengthen its control environment. Internal controls are the operating infrastructure through which KCRHA authorizes expenditures, retains documentation, tracks reimbursements, reconciles financial activity, manages system access, supports reliable reporting, and escalates risk.

Because KCRHA administers a large and complex portfolio of municipal, county, state, federal, and restricted funding sources, internal controls must be designed, documented, and monitored in a manner appropriate to the scale and complexity of the organization's operating environment.

Control Framework and Federal Grant Alignment

KCRHA has adopted, or is in the process of adopting, an Enterprise Internal Control and Compliance Framework Policy that establishes requirements for the organization's internal control environment. This framework is intended to align KCRHA's control work with applicable federal requirements under 2 CFR Part 200, the COSO Internal Control-Integrated Framework, the GAO Standards for Internal Control in the Federal Government, commonly known as the Green Book, Generally Accepted Accounting Principles, Governmental Accounting Standards Board standards, and other applicable laws and requirements governing publicly funded entities.

This policy framework supports effective governance, safeguarding of public resources, financial integrity, accurate and timely reporting, and mitigation of legal, operational, financial, and compliance risks.

KCRHA's internal control enhancement work is organized around the five broad components reflected in COSO:

1. Control Environment — clear roles, ethical expectations, accountability, governance oversight, and competent staffing.
2. Risk Assessment — identification of financial, compliance, operational, fraud, documentation, and reporting risks.
3. Control Activities — approvals, reconciliations, segregation of duties, documentation requirements, access controls, and review procedures.
4. Information and Communication — reliable reporting, clear policies, data flows, documentation standards, and escalation channels.
5. Monitoring Activities — recurring review, dashboard tracking, Finance Committee oversight, audit-readiness review, and corrective action follow-through.

For KCRHA, this means internal control improvements should not be limited to isolated transaction fixes. They should be incorporated into a broader control environment that includes clear roles, documented policies, approval authority, segregation of duties, reliable information flows, recurring reconciliation, management review, and governance-level monitoring.

Because KCRHA administers and coordinates federal homelessness funding, including CoC-related functions, internal control enhancements should also align with applicable federal grant-management expectations under 2 CFR Part 200 and relevant HUD requirements. These expectations include maintaining effective internal controls, documenting allowable costs, supporting procurement and payment decisions, monitoring subrecipient activity where applicable, retaining adequate records, and ensuring compliance with the terms and conditions of federal awards.

Federal Grant-Management and HUD/CoC Considerations

KCRHA's control framework must support compliance with federal grant-management expectations, including:

- cost allowability;
- cost allocability;
- reasonableness of costs;
- documentation of expenditures;
- procurement standards;
- conflict-of-interest requirements;
- subrecipient monitoring where applicable;
- financial and performance reporting;
- record retention;
- audit readiness;
- corrective action tracking;
- and compliance with award-specific terms and conditions.

For CoC and HUD-related funding, KCRHA's controls must also support:

- grant application and reporting obligations;
- HMIS and Coordinated Entry data requirements;
- subrecipient or provider monitoring;
- documentation retention;
- eligibility and cost allowability review;
- performance and financial reporting;
- compliance with HUD notices, grant agreements, and program requirements;
- and readiness for federal, state, local, or independent review.

The objective is not to suggest that KCRHA lacks these mechanisms altogether. Rather, the objective is to ensure that KCRHA's finance, accounting, documentation, reconciliation, and reporting controls are consistently implemented, adequately evidenced, and aligned with applicable federal, state, local, funder, and audit-readiness expectations.

Procurement, Purchasing, Payment, and Cost-Allowability Controls

Procurement and purchasing controls are especially important where federal funds, restricted funds, or public funds are involved.

KCRHA's procurement policy has historically been aligned with applicable federal standards and addresses competitive bidding thresholds, exceptions, and procurement documentation expectations. As part of ongoing policy modernization, KCRHA will review and update procurement procedures as needed to maintain alignment with federal, state, local, and internal requirements, including relevant OMB updates and local funding practices.

The CAP distinguishes among several related but separate control areas:

- procurement policy and vendor selection;
- purchasing authorization;
- contract or purchase approval;
- receipt or evidence of goods and services;
- invoice review and payment approval;
- cost allowability and funding-source review;
- documentation retention;
- and conflict-of-interest review.

Procurement and purchasing controls will continue to include:

- clear approval thresholds;
- documentation of business purpose;
- procurement method;
- competition or sole-source justification where applicable;
- conflict-of-interest review;

- contract or purchase authorization;
- invoice approval;
- evidence of goods received or services provided;
- and retention of supporting documentation.

Where federal funds are involved, purchasing and procurement practices will remain aligned with applicable micro-purchase, simplified acquisition, competition, documentation, cost reasonableness, and conflict-of-interest requirements.

Control Enhancement Priorities

KCRHA's immediate finance and internal control enhancement work is organized around the following priority areas:

- employee reimbursements;
- gift cards and cash equivalents;
- purchasing cards;
- segregation of duties and accounting permissions;
- documentation retention;
- month-end close and reconciliations;
- receivables and reimbursement tracking;
- fund advances;
- contributed funds and allocation documentation;
- budget-to-actual reporting and variance escalation;
- policy and procedure modernization;
- systems controls and data flow;
- federal grant and audit-readiness documentation;
- governance reporting and escalation.

Each area is described below.

1. Employee Reimbursements

KCRHA has strengthened or is strengthening documentation and approval expectations for employee reimbursements.

Key controls include or will include:

- documented pre-approval where required;
- confirmation of allowable business purpose;
- supporting receipts or backup documentation;
- supervisory review before reimbursement;
- finance review for completeness and compliance;

- central retention of reimbursement records;
- and periodic sample review to confirm compliance.

Updated expectations will define allowable expenses, prohibited expenses, approval thresholds, documentation requirements, submission timelines, and review responsibilities.

The goal is to ensure that employee reimbursements are consistently authorized, documented, reviewed, and retained.

2. Gift Cards and Cash Equivalents

Gift cards and other cash-equivalent items present heightened control risk and require stronger tracking than ordinary purchases.

KCRHA has begun strengthening controls around gift card approvals, logs, and documentation.

Key controls include or will include:

- documented approval prior to purchase;
- stated programmatic purpose and allowable use;
- purchase records tied to funding source and program activity;
- secure storage before distribution;
- detailed distribution logs;
- recipient acknowledgement where appropriate and allowable;
- reconciliation between cards purchased, distributed, remaining, or voided;
- supervisory review of distribution records;
- and retention of all supporting documentation.

Gift card logs will include, at minimum:

- purchase date;
- funding source;
- program or department;
- quantity and denomination;
- total value purchased;
- person responsible for custody;
- distribution date;
- recipient or anonymized participant identifier where appropriate;
- remaining balance or inventory;
- and reviewer sign-off.

The goal is to ensure that cash-equivalent items are governed by clear approval, custody, distribution, reconciliation, and documentation controls.

3. Purchasing Cards

Purchasing cards require clear authorization, documentation, reconciliation, and supervisory review.

KCRHA has focused immediate attention on P-card authorization, documentation, reconciliation, and exception review.

Key controls include or will include:

- documented cardholder authorization;
- defined allowable and prohibited uses;
- transaction limits;
- prohibition on card sharing;
- timely submission of receipts and backup documentation;
- monthly reconciliation;
- supervisory review;
- finance review;
- exception tracking;
- and cardholder removal or suspension where controls are not followed.

KCRHA will continue periodic review of:

- active cardholders;
- transaction limits;
- missing documentation;
- recurring exceptions;
- unusual vendors;
- split transactions;
- and compliance with policy.

The goal is to ensure that P-cards remain a controlled purchasing tool, not an informal workaround for procurement or reimbursement processes.

4. Segregation of Duties and Accounting Permissions

KCRHA has initiated a review of accounting and expenditure approval roles and permissions.

Segregation of duties is essential to reducing the risk of error, override, unsupported transactions, or inappropriate access.

Key controls include or will include:

- documented approval workflows;

- identification of incompatible duties;
- review of system access roles;
- removal of unnecessary or excessive permissions;
- separation between transaction initiation, approval, processing, and reconciliation where staffing allows;
- compensating controls where full segregation is not immediately feasible;
- and periodic permissions review.

Because KCRHA's current staffing model may not allow ideal segregation in every process, KCRHA will identify where compensating controls are needed. These may include supervisory review, secondary approval, exception reporting, periodic external review, or Finance Committee visibility for material risks.

KCRHA will develop or refine a permissions matrix identifying:

- user role;
- system access;
- approval authority;
- payment authority;
- reconciliation role;
- reporting role;
- and any incompatible or high-risk access.

The goal is to align permissions and approval roles with the organization's control requirements and staffing reality.

5. Documentation Retention

Insufficient documentation was a recurring theme in the forensic evaluation. KCRHA has strengthened, and will continue strengthening, documentation retention as a core financial control.

Key controls include or will include:

- standardized documentation requirements by transaction type;
- central storage of supporting records;
- clear file naming conventions;
- retention schedules aligned with funder, audit, legal, and federal requirements;
- documentation checklists for high-risk processes;
- and periodic review for completeness.

Documentation retention will support:

- provider reimbursements;
- employee reimbursements;
- P-card purchases;
- gift card purchases and distribution;
- fund advances;
- funder invoices;
- receivables;
- journal entries;
- budget adjustments;
- contract modifications;
- cost allocations;
- procurement decisions;
- subrecipient monitoring;
- and approvals.

The goal is to ensure that future transactions can be traced, supported, reviewed, and audited.

6. Month-End Close and Reconciliations

A disciplined month-end close process is central to reliable financial reporting.

KCRHA is developing and formalizing a monthly close process that includes:

- close calendar;
- assigned preparers and reviewers;
- reconciliation checklist;
- required supporting schedules;
- cutoff rules;
- journal entry review;
- variance review;
- unresolved item log;
- reviewer sign-off;
- and executive review of material issues.

Key recurring reconciliations include or will include:

- KCIP and cash activity;
- accounts receivable;
- fund advances;
- accounts payable;
- provider payments;
- grant and fund-source balances;
- administrative budget-to-actual;

- restricted funds;
- contributed funds;
- and major balance sheet accounts.

The close process will distinguish between:

- completed reconciliations;
- unreconciled balances;
- pending funder confirmation;
- proposed adjustments;
- and unresolved historical items.

The goal is to move from reactive cleanup toward recurring financial discipline.

7. Receivables and Reimbursement Tracking

KCRHA is strengthening its receivables and reimbursement tracking processes, including transaction-level review of historical receivables and implementation of roll-forward reporting.

Key controls include or will include:

- invoice tracking by funder, contract, period, and funding source;
- submission date and expected payment date;
- approval/rejection status;
- reason for rejection or rework;
- reimbursement received;
- aging of open invoices;
- unbilled receivable tracking;
- monthly AR roll-forward;
- and escalation of overdue or disputed amounts.

A recurring AR roll-forward will include:

- beginning receivable balance;
- invoices issued;
- reimbursements received;
- adjustments;
- write-offs or proposed write-offs;
- unbilled receivables;
- disputed or pending items;
- and ending receivable balance.

The goal is to ensure that receivable balances can be explained, aged, collected, adjusted, or written off through a documented process.

8. Fund Advances

Fund advances can support cash-flow stability but require clear tracking and reconciliation.

KCRHA has strengthened or will strengthen fund advance controls through:

- inventory of active advances;
- documentation of funder, purpose, period, and allowable use;
- reconciliation of advances to expenditures;
- tracking of reimbursements or offsets;
- identification of remaining balances;
- monthly advance roll-forward;
- and funder confirmation where needed.

A recurring advance roll-forward will include:

- beginning advance balance;
- new advances received;
- expenditures applied;
- reimbursements or offsets;
- adjustments;
- disputed items;
- and ending advance balance.

The goal is to ensure advances reduce ambiguity rather than create additional reconciliation risk.

9. Contributed Funds and Allocation Documentation

KCRHA will strengthen controls over contributed funds, restricted funds, and combined funding allocations.

Key controls include or will include:

- documentation of funder or donor restrictions;
- agreement-level allocation methodology;
- approval of allocation methods;
- transaction-level coding to appropriate funder, program, contract, or cost center;
- reduced reliance on large retroactive reallocations;
- reconciliation of contributed fund receipts to expenditures;

- periodic reporting by funder or restriction;
- and review of allowable use.

The goal is to ensure that contributed or restricted funds are clearly identifiable, traceable, and used consistent with applicable restrictions and agreement terms.

10. Budget-to-Actual Reporting and Variance Escalation

KCRHA must strengthen budget monitoring, particularly for administrative spending.

Key controls include or will include:

- monthly budget-to-actual reporting;
- administrative spending by major category;
- program spending by contract or funding source;
- year-end forecast;
- variance thresholds;
- required explanation of material variances;
- escalation process;
- and corrective action planning where spending exceeds thresholds.

Variance escalation will apply to:

- administrative overspend risk;
- interest expense;
- consulting or legal costs;
- systems implementation costs;
- temporary staffing;
- program underspend;
- and material deviations from approved budget authority.

The goal is to identify budget pressure early enough for corrective action rather than after overspend has accumulated.

11. Policy and Procedure Modernization

KCRHA is continuing to modernize and document core financial policies and procedures.

Policies involving federal funds will cross-reference applicable 2 CFR Part 200 requirements, HUD program requirements, funder-specific terms, procurement thresholds, documentation standards, cost allowability rules, and subrecipient monitoring responsibilities where applicable.

To support clearer implementation tracking, KCRHA will organize policy modernization work by status:

Approved / Implemented Policies

This category will include policies or procedures that have been approved and are currently in effect.

Draft Policies Pending Adoption or Implementation

This category will include policies or procedures that have been drafted or substantially revised but still require final approval, implementation, training, or communication.

Policies or Procedures Pending Development, Revision, or Formalization

This category will include policies or procedures that require further development, revision, formalization, or alignment with the Enterprise Internal Control and Compliance Framework Policy.

Priority policy and procedure areas include:

- employee reimbursements;
- P-cards;
- gift cards and cash equivalents;
- procurement;
- contract approvals;
- invoice review;
- funder billing;
- journal entries;
- month-end close;
- receivables;
- advances;
- contributed funds;
- budget monitoring;
- administrative cost approvals;
- documentation retention;
- system permissions;
- subrecipient monitoring;
- and variance escalation.

Policies will identify:

- owner or responsible party;

- approval authority;
- review cadence;
- applicable systems;
- required documentation;
- approval thresholds;
- escalation triggers;
- training or certification expectations where applicable;
- compliance monitoring process;
- and policy review and update requirements.

The goal is to move away from person-dependent practices and toward documented, repeatable operating procedures.

12. Systems Controls and Data Flow

KCRHA's financial control environment depends on reliable interaction among finance, grants management, contract management, subrecipient compliance management, and reporting systems.

Key systems-control priorities include:

- review of user permissions;
- review of approval workflows;
- review of data flows between accounting and grants-management systems;
- validation of reporting outputs;
- documentation of manual workarounds;
- reduction of spreadsheet-dependent processes where possible;
- and identification of system gaps requiring modernization.

As part of continuous quality improvement, KCRHA is evaluating the adequacy of data flows among contract, invoice, reimbursement, grant, and accounting systems to support:

- accurate fund-source tracking;
- provider payment reconciliation;
- receivables reporting;
- budget-to-actual reporting;
- contract utilization reporting;
- contributed funds tracking;
- federal award tracking;
- and audit documentation.

The goal is to ensure that systems support the control environment rather than requiring extensive manual reconstruction.

13. Governance Reporting and Escalation

Internal controls must be connected to governance oversight.

Governance reporting will identify issues with potential financial, federal compliance, audit-readiness, or provider-payment implications, including:

- questioned cost risk;
- missing documentation;
- unreconciled balances;
- subrecipient monitoring gaps;
- procurement exceptions;
- cost allowability concerns;
- delayed reporting obligations;
- and unresolved corrective actions.

KCRHA will provide recurring reporting to executive leadership and the Finance Committee regarding:

- reconciliation status;
- open receivables;
- KCIP balance and cash-flow forecast;
- fund advances;
- administrative budget-to-actual;
- policy updates;
- high-risk control areas;
- unresolved documentation issues;
- missed milestones;
- and items requiring funder coordination.

Escalation will occur when:

- balances cannot be reconciled;
- funder payments are delayed or disputed;
- administrative spending exceeds thresholds;
- required documentation is missing;
- system permissions create control risk;
- cash-flow projections worsen materially;
- federal compliance or audit-readiness risk is identified;
- or corrective action milestones are delayed.

The goal is to ensure that financial control issues are visible early and reviewed at the appropriate level.

Relationship to External Stabilization Support

KCRHA recognizes that some internal control enhancements can be implemented directly by current staff, while others may require external support due to capacity, technical complexity, or the need for independent validation.

External stabilization support may be especially helpful in:

- reviewing control design for priority finance and reconciliation workstreams;
- validating reconciliation methodology;
- developing roll-forward schedules;
- assessing system permissions;
- reviewing month-end close procedures;
- designing reporting templates;
- supporting targeted review of finance-related control documentation where independent validation or specialized technical assistance is needed;
- and helping prioritize remediation sequencing.

External support will strengthen internal ownership, not replace it. The goal is to help KCRHA establish controls that can be maintained by the organization over time.

Near-Term Milestones

Milestone	Target Window	Purpose
Complete review and update of reimbursement policy/documentation practices	30 days / June 22, 2026	Confirm reimbursement approval and documentation standards.
Complete review and reconciliation of gift card inventory/log practices	30 days / June 22, 2026	Validate current controls over cash-equivalent items.
Complete review of P-card/cardholder controls	30 days / June 22, 2026	Confirm active users, limits, documentation, and reconciliation controls.

Complete accounting permissions matrix	30 days / June 22, 2026	Identify incompatible access and needed access changes.
Update/refine month-end close checklist	30 days / June 22, 2026	Strengthen recurring close structure and documentation expectations.
Develop or refine AR roll-forward template	30 days / June 22, 2026	Support recurring receivables reconciliation.
Develop or refine advance roll-forward template	30 days / June 22, 2026	Support recurring fund advance reconciliation.
Develop or refine contributed-funds inventory structure	30 days / June 22, 2026	Support review of restrictions, allowable use, and allocation documentation.
Strengthen monthly administrative budget-to-actual reporting	30–60 days / June 22–July 22, 2026	Strengthen administrative spending oversight.
Confirm and formalize variance escalation thresholds	30–60 days / June 22–July 22, 2026	Ensure budget and control risks are elevated timely.
Formalize rejected-cost and invoice-delay tracker	30–60 days / June 22–July 22, 2026	Improve reimbursement visibility and cash-flow risk management.

Map priority finance policies to COSO and 2 CFR Part 200 requirements	60 days / July 22, 2026	Ensure policy modernization aligns with recognized control and federal grant-management expectations.
Review procurement policy for OMB updates and local funding alignment	60–90 days / July 22–August 21, 2026	Maintain alignment with applicable federal, state, local, and internal procurement requirements.
Formalize recurring permissions review protocol	60–90 days / July 22–August 21, 2026	Maintain segregation of duties and access controls.
Strengthen and formalize recurring close and reporting package	60–90 days / July 22–August 21, 2026	Support reliable monthly financial reporting.
Develop or refine internal control documentation package	60–90 days / July 22–August 21, 2026	Support audit readiness and governance review.

Conclusion

Well-designed and consistently applied controls support the safeguarding of public funds, ensure timely and accurate provider payments, strengthen audit readiness, and reduce financial and operational risk. They are essential to ensuring that resources intended for homelessness response are administered responsibly and in accordance with applicable requirements. KCRHA’s corrective actions are focused on strengthening both the governance framework and the day-to-day control activities that support sound financial management.

KCRHA recognizes the need to strengthen its finance and internal control environment and has begun implementing improvements in key areas, including employee reimbursements, gift cards, P-cards, segregation of duties, system access, documentation, and financial oversight. Additional work is underway to further formalize, document, and sustain these practices. The objective is to establish a control environment that is consistent, well-documented, auditable, and aligned with applicable federal, state, and local requirements, while being appropriate to the

scale and complexity of KCRHA's role as the regional backbone organization for homelessness response in King County.

Appendix H — CoC, HMIS/Data Hub, Coordinated Entry, and Continuity Considerations

Purpose

This appendix provides additional context regarding KCRHA's role in Continuum of Care ("CoC") administration, federal homelessness funding coordination, HMIS infrastructure, Data Hub development, Coordinated Entry, severe weather activations, countywide Ombuds functions, provider contracting, compliance monitoring, and related regional coordination functions.

The purpose of this appendix is not to discourage regional evaluation of KCRHA's future structure. Given the seriousness of the forensic evaluation findings, structural review, governance evaluation, and corrective action are appropriate.

Rather, the purpose is to ensure that any future decisions regarding KCRHA are informed by a clear understanding of the federal funding, operational continuity, compliance, data infrastructure, governance, and transition considerations associated with the regional homelessness response infrastructure currently administered or coordinated through KCRHA.

The region can insist on strong corrective action while also protecting the continuity of core homelessness response infrastructure. Both obligations must be held together.

These Functions Are Regional Infrastructure

KCRHA performs or supports several core functions that are not simply internal agency operations. They are regional infrastructure functions necessary to administer, coordinate, and sustain the homelessness response system across King County.

These functions include:

- Staffing the Continuum of Care Board, the continuum's governing body;
- Continuum of Care coordination and federal HUD-related administration;
- HMIS governance, data infrastructure, privacy, access, security, and reporting support;
- Data Hub development and regional data modernization;
- Coordinated Entry and system navigation infrastructure;

- coordination of countywide emergency activations, including severe weather response;
- operation of a countywide Ombuds Office related to homelessness services;
- maintenance of dynamic, real-time by-name lists of veterans and youth/young adults experiencing homelessness countywide;
- provider contracting and reimbursement administration;
- monitoring and compliance functions;
- regional planning and system coordination;
- federal, state, county, and city funding alignment;
- public dashboards and system performance reporting;
- and administration or coordination of funding streams that support housing, shelter, outreach, services, and system operations.

These functions are interconnected. A change in one area can affect other areas. For example, changes to contracting infrastructure may affect provider payment continuity. Changes to HMIS administration may affect reporting, system performance measurement, Coordinated Entry, and federal compliance. Changes to CoC administration may affect federal application processes, governance requirements, monitoring, or regional funding coordination.

For that reason, any major restructuring of KCRHA responsibilities should be evaluated not only as an organizational governance question, but also as a regional infrastructure transition question.

Lead Entity for WA-500: Seattle/King County Continuum of Care

KCRHA is designated as the federally recognized lead entity for the WA-500 Seattle/King County Continuum of Care by the CoC Board. This role supports federal homelessness funding, system coordination, planning, data reporting, provider alignment, and compliance activities.

Maintaining continuity of this role is essential during any corrective action, modernization, restructuring, or transition process.

If regional leaders were to pursue a transition away from KCRHA as the CoC lead entity, that transition would require both a local, community-driven process to designate a new lead entity and recognition by HUD of that new designation. This is not simply an internal administrative assignment that can be transferred informally or immediately.

Continuity planning for the CoC lead entity role should address:

- how CoC governance processes will be maintained;
- how federal application, reporting, and compliance deadlines will be met;
- how HUD communication and recognition processes will be managed;
- how HMIS responsibilities will continue without interruption;
- how Coordinated Entry functions will be maintained;

- how provider contracts and subrecipient relationships will be managed;
- how monitoring and compliance functions will continue;
- how federal funding risk will be tracked and mitigated;
- how institutional knowledge will be preserved during any transition;
- and how local community designation processes would be conducted if a new lead entity were pursued.

These considerations are especially important because federal funding and compliance systems are timeline-driven. Even short disruptions in governance, reporting, system administration, or provider coordination can create avoidable risk.

Collaborative Applicant and Federal Funding Administration

KCRHA also plays a central role in federal funding administration, including CoC application and reporting processes. Any transition involving these responsibilities would need to be planned carefully to avoid disruption to federal funding cycles, grant administration, subrecipient monitoring, performance documentation, and compliance obligations.

KCRHA does not assert that structural change would automatically result in loss of federal funding. However, major structural disruption, dissolution, or redistribution of core responsibilities could create federal funding and compliance risks if not carefully planned and sequenced.

Potential risks include:

- disruption to CoC planning and governance processes;
- confusion regarding federal application and Collaborative Applicant responsibilities;
- gaps in grant administration or subrecipient monitoring;
- disruption to HMIS governance, reporting, or data quality processes;
- uncertainty among providers regarding contracting and compliance obligations;
- loss of institutional knowledge;
- delays in federal reporting or performance documentation;
- duplication or fragmentation of administrative infrastructure;
- and unclear accountability during transition.

These are transition risks that regional leaders should account for before making structural decisions.

HMIS as Regional Data Backbone

HMIS is one of the core infrastructure systems supporting homelessness response across King County. It supports:

- federal reporting;
- system performance measurement;
- provider data entry and reporting;
- Coordinated Entry;
- program utilization analysis;
- service and housing enrollment tracking;
- population and subpopulation analysis;
- planning and evaluation;
- compliance with federal and local data requirements;
- and public accountability.

Because HMIS is used across providers and programs, it is one of the few tools available to understand systemwide patterns rather than isolated program activity.

KCRHA maintains the HMIS system, including data standards, governance, access, privacy, and data security. Any structural transition involving HMIS would need to address:

- system administration;
- data governance;
- provider user support;
- data quality;
- reporting continuity;
- privacy and security obligations;
- vendor or technical arrangements;
- public dashboards;
- and the relationship between HMIS, Coordinated Entry, federal reporting, and the Data Hub.

HMIS stability should be treated as a core continuity requirement during any corrective action or structural review.

Data Hub and Person-Centered System Management

KCRHA has developed a Data Hub that operationalizes data from HMIS for real-time system functions, longitudinal system analysis, and analytical needs that cannot be fully addressed by HMIS alone.

The Data Hub represents a significant regional investment in making homelessness data more usable, connected, and actionable. Its value lies in helping transform existing system data into tools that support planning, coordination, performance analysis, and targeted intervention.

Historically, homelessness response data systems have often been organized around programs, contracts, providers, and required reporting. This structure is necessary for compliance and

funding accountability, but it can limit the region's ability to use data for real-time system coordination or person-centered intervention planning.

The Data Hub helps the region move from program-centered reporting toward a more person-centered understanding of system interaction. It can support:

- consolidating and organizing HMIS-based information for regional use;
- identifying people actively engaged across the system;
- distinguishing active and inactive system contact;
- supporting person-centered views of system engagement;
- enabling active/inactive status analysis;
- supporting By-Name List development;
- improving subpopulation tracking;
- creating better visibility into program participation and service pathways;
- supporting targeted case conferencing;
- supporting regional dashboards and performance reporting;
- identifying gaps and bottlenecks;
- and enabling more strategic deployment of limited resources.

This infrastructure helps KCRHA and regional partners move from retrospective reporting toward more proactive system management.

By-Name Lists and Targeted Intervention

KCRHA currently produces and maintains dynamic by-name lists of veterans and youth and young adults experiencing homelessness countywide. By-name lists are an important operational tool and a national best practice for identifying, prioritizing, coordinating, and tracking engagement with people who may need specific interventions.

A By-Name List is not simply a list of people experiencing homelessness. Properly developed, it is an operational tool that helps systems identify people currently active in the homelessness response system, distinguish current engagement from historical-only records, organize data by subpopulation, support case conferencing and coordinated outreach, and monitor whether targeted strategies are producing improved outcomes.

The Data Hub can support this work by helping the region:

- identify individuals currently active in the homelessness response system;
- distinguish current engagement from historical-only records;
- organize data by subpopulation;
- support case conferencing and coordinated outreach;
- identify people with repeated or prolonged system contact;
- improve prioritization for limited housing or service resources;

- support intervention matching;
- and monitor whether targeted strategies are producing improved outcomes.

This is especially relevant for subpopulation work involving groups such as:

- veterans;
- youth and young adults;
- people experiencing chronic homelessness;
- vehicle residents;
- families;
- people with repeated shelter or outreach contact;
- and people with complex behavioral health or service-navigation needs.

Any transition involving KCRHA's data infrastructure should therefore include continuity planning for by-name list production, governance, use cases, data quality, privacy, and operational integration with providers and system partners.

Coordinated Entry

Coordinated Entry is a core system function connecting people experiencing homelessness to housing and service pathways. Maintaining stability in Coordinated Entry is important for providers, participants, funders, and federal compliance expectations.

Coordinated Entry depends on:

- clear governance;
- provider participation;
- HMIS/data infrastructure;
- referral policies;
- prioritization practices;
- participant-level information;
- housing resource visibility;
- and ongoing system monitoring.

Any disruption to Coordinated Entry would create operational risk for providers, participants, funders, and the broader regional system. Therefore, any structural transition involving KCRHA should include explicit planning for:

- operational ownership;
- referral continuity;
- provider engagement;
- policy oversight;
- data and reporting integration;

- participant communication where applicable;
- and coordination with HMIS and Data Hub functions.

Provider Contracting and Reimbursement

Federal and non-federal funding streams interact through provider contracts, reimbursement processes, compliance documentation, and performance reporting. Transition risk is not limited to federal grant administration alone; it also affects providers' ability to receive timely payments and understand compliance expectations.

KCRHA's contracting and reimbursement functions are central to provider stability. KCRHA completes contract renewals at a substantially faster pace than many peer governmental institutions, reducing provider exposure to contract delays and related financial instability. Preserving that speed and continuity is important if regional leaders evaluate structural changes.

Provider payment continuity is especially important because many homelessness response providers operate with limited cash reserves. Delayed payments, contract uncertainty, or unclear reimbursement processes can destabilize shelter, outreach, housing, diversion, rapid rehousing, permanent supportive housing, and other essential services.

Any structural transition should therefore address:

- contract assignment or reissuance;
- provider reimbursement processes;
- payment continuity;
- fund-source mapping;
- documentation expectations;
- invoice submission and review standards;
- contract renewal timelines;
- provider communication;
- and continuity of staff knowledge related to provider contracts and funding streams.

Monitoring and Compliance

All publicly funded homelessness response programs require ongoing monitoring, documentation, and compliance review. During any structural transition, monitoring continuity must be preserved so that provider oversight does not lapse.

Monitoring and compliance continuity should address:

- current monitoring schedule;
- open findings or corrective actions;
- documentation retention;

- compliance responsibility;
- subrecipient or provider oversight;
- federal and local reporting;
- cost allowability;
- eligibility review;
- audit-readiness expectations;
- and continuity of monitoring records.

These functions should not be interrupted while corrective action or structural review is underway.

Regional Planning and System Alignment

The CoC, HMIS/Data Hub, Coordinated Entry, provider contracting, compliance monitoring, emergency activation, Ombuds, and reimbursement functions are connected to broader regional planning and system alignment.

Fragmentation of planning, data, contracting, federal compliance, emergency response, and accountability functions could weaken the region's ability to present a coherent homelessness response strategy. It could also make it harder to coordinate providers, align funding, track performance, support subpopulation strategies, and evaluate whether interventions are working.

KCRHA's regional backbone role depends on the ability to support:

- common agenda development;
- shared measurement;
- mutually reinforcing activities;
- continuous communication;
- provider coordination;
- public accountability;
- and strategic alignment across jurisdictions and funding streams.

Data infrastructure, CoC administration, Coordinated Entry, provider contracting, Ombuds functions, and emergency activation coordination are not separate from this backbone role. They are core components of it.

If these functions are fragmented or destabilized, the region could face:

- loss of shared measurement capacity;
- inconsistent provider reporting expectations;
- disruption to HMIS support and data quality;
- reduced ability to produce By-Name Lists;
- weakened subpopulation strategy;

- reduced transparency into system performance;
- disruption to Coordinated Entry data workflows;
- inconsistent public reporting;
- delays in provider contracting or reimbursement;
- weakened monitoring and compliance;
- loss of institutional knowledge;
- duplication of administrative infrastructure;
- and reduced ability to evaluate whether interventions are working.

These risks do not mean structural evaluation is inappropriate. They mean that continuity planning should be explicit, detailed, and sequenced.

Continuity Principles

KCRHA recommends that any future-state decision regarding the agency or regional homelessness response structure be guided by the following continuity principles.

Protect federal funding capacity.

Federal homelessness funding administration, CoC coordination, HMIS, and compliance functions should remain stable during any transition. Instability risks not only the CoC's approximately \$68M award, but also substantial directly related, leveraged funding.

Follow required CoC designation processes.

Any transition from KCRHA as lead entity for the WA-500 Seattle/King County Continuum of Care would require a local, community-driven designation process and recognition by HUD.

Avoid provider payment disruption.

Providers should not experience avoidable contract or reimbursement disruption as a result of governance or structural changes.

Preserve institutional knowledge.

Staff expertise, data systems knowledge, grant history, provider relationships, compliance records, and federal reporting knowledge should be maintained and transferred carefully if responsibilities change.

Maintain HMIS, Data Hub, and Coordinated Entry stability.

Data infrastructure and Coordinated Entry operations should continue without interruption, including user support, data quality, access, privacy, security, reporting, and By-Name List functions.

Prevent unnecessary fragmentation.

Any restructuring should avoid recreating the fragmented pre-KCRHA environment that the regional authority was established to address.

Sequence reform responsibly.

Corrective action, external stabilization support, and transition planning should proceed in a sequence that minimizes operational risk.

Use external validation where appropriate.

A third-party stabilization partner can help assess transition risks, validate current conditions, and support shared understanding among KCRHA, the City, and the County.

Relationship to External Stabilization Support

The potential engagement of an external stabilization partner is especially relevant to continuity and transition planning.

An external partner could support regional leaders by helping to:

- validate current operational and financial conditions;
- assess federal funding and CoC continuity risks;
- identify transition dependencies;
- support shared implementation planning among KCRHA, the City, and the County;
- clarify which functions must remain uninterrupted;
- develop risk mitigation steps;
- assess local and federal designation implications if CoC lead entity transition is contemplated;
- and provide a structured source of independent analysis during the decision-making period.

This role would be particularly useful if regional leaders are evaluating multiple possible future-state pathways, including stabilization, partial restructuring, redistribution of functions, or dissolution.

The objective would not be to delay decision-making. Rather, it would be to ensure that decisions are made with a clear understanding of operational dependencies, funding risks, designation requirements, and continuity obligations.

Near-Term Milestones

Milestone	Target Window	Purpose
Confirm near-term federal deadlines and reporting obligations	30–60 days / June 22– July 22, 2026	Ensure no disruption during CAP implementation or structural review.
Confirm CoC lead entity, Collaborative Applicant, HMIS, Coordinated Entry, Data Hub, provider contracting, monitoring, Ombuds, and emergency activation responsibilities currently housed within or supported by KCRHA	30–60 days / June 22– July 22, 2026	Clarify functions requiring continuity protection and identify any responsibilities requiring formal designation, assignment, or transition planning.
Develop CoC / federal funding / HMIS continuity risk inventory	60 days / July 22, 2026	Identify federal funding, governance, reporting, HMIS, and provider risks.
Map provider contracts and funding streams connected to CoC or federal funding	60–90 days / July 22– August 21, 2026	Clarify provider payment and compliance dependencies.
Identify By-Name List use cases and governance needs	60–90 days / July 22– August 21, 2026	Support development of person-centered operational tools.

Map Data Hub outputs to subpopulation strategies	60–90 days / July 22– August 21, 2026	Connect data infrastructure to YYA, veterans, vehicle residency, chronic homelessness, families, and other priority areas.
Identify transition dependencies if structural changes are pursued	60–90 days / July 22– August 21, 2026	Support informed decision-making by regional leaders.
Develop continuity protocol for any structural transition scenario, including local and federal processes for designation of any successor CoC lead entity if applicable	60–90 days / July 22– August 21, 2026	Ensure CoC, HMIS, Data Hub, Coordinated Entry, provider payment, federal compliance, Ombuds, and emergency activation functions remain stable.

Conclusion

KCRHA accepts that the seriousness of the forensic evaluation findings requires corrective action, oversight, and structural evaluation.

At the same time, KCRHA’s current responsibilities include federally connected, operationally interdependent regional infrastructure. Any future decision regarding KCRHA’s structure should therefore account for continuity, compliance, transition risk, provider stability, data infrastructure, federal funding protection, and required local and federal designation processes.

The most responsible path forward is one that allows the region to correct serious deficiencies while preserving the critical operational infrastructure required to support homelessness response across King County.

Appendix I — Governance and Oversight Improvements

Purpose

This appendix provides additional detail regarding governance and oversight improvements needed to support KCRHA's corrective action implementation, financial stabilization, operational modernization, and long-term institutional accountability.

The forensic evaluation identified not only technical accounting and reconciliation issues, but also broader governance and oversight challenges. Strengthening KCRHA's governance environment is therefore central to the Corrective Action Plan.

The purpose of this appendix is to clarify how KCRHA intends to strengthen oversight, reporting, escalation, transparency, and accountability so that corrective action implementation is not dependent solely on internal management assurances, but is subject to recurring review by executive leadership, the Finance Committee, the Governing Board, and funders.

Governance Context

KCRHA operates in a complex governance environment involving the Governing Board, multiple governmental funding partners, providers, federal requirements, regional planning obligations, and public accountability expectations.

The organization's early years were marked by rapid operational scale-up, evolving governance structures, CEO leadership transitions, immature financial infrastructure, and complex intergovernmental workflows. These conditions contributed to gaps in financial oversight, risk escalation, reporting clarity, and governance-level visibility.

KCRHA accepts that governance structures must be strengthened to ensure that future financial, compliance, and operational risks are identified earlier, reported more clearly, and reviewed through appropriate oversight channels. Governance improvement is therefore not separate from financial remediation. It is one of the mechanisms by which remediation becomes durable.

Core Governance Objectives

KCRHA's governance and oversight improvements will advance the following objectives:

- **Clear accountability:** Corrective action areas will have assigned owners, defined milestones, and visible reporting pathways.
- **Recurring oversight:** Financial condition, remediation progress, and unresolved risks will be reviewed regularly by executive leadership, the Finance Committee, the Governing Board, and funders.
- **Early escalation:** Material risks will be elevated before they become structural failures, budget overruns, audit findings, provider-payment disruptions, or public crises.

- **Documented decision-making:** Major financial, administrative, and operational decisions will be documented, traceable, and aligned with approved authority.
- **Funder coordination:** Where issues cross organizational boundaries, KCRHA, the City of Seattle, and King County should work from shared facts, clear timelines, and agreed escalation pathways.
- **Audit readiness:** Governance reporting will support future audit review, federal compliance, documentation retention, and internal-control monitoring.
- **Public confidence:** Governance practices will support transparency, credibility, and responsible stewardship of public resources.

Finance Committee

A key governance improvement already implemented is the establishment of a dedicated Finance Committee of the Governing Board.

Consistent with recommendations identified through the forensic evaluation process, KCRHA's Governing Board has established a Finance Committee focused on strengthening financial oversight, remediation governance, reporting transparency, and implementation accountability.

The Finance Committee has already convened and focused on:

- financial condition and reporting;
- reconciliation and receivables analysis;
- KCIP balance and cash-flow issues;
- fund advances and reimbursement timing;
- administrative spending and budget monitoring;
- corrective action implementation progress;
- and ongoing financial governance improvements.

The Finance Committee should continue to serve as the primary governance body for financial oversight and CAP implementation monitoring.

Finance Committee Role

The Finance Committee's ongoing role may include:

- reviewing monthly or periodic financial reporting packages;
- reviewing progress against the corrective action matrix;
- monitoring implementation milestones and delayed items;
- reviewing receivables, advances, KCIP balance, and cash-flow forecasts;
- reviewing administrative budget-to-actual reports and variance explanations;
- reviewing major unresolved risks or barriers;
- receiving updates on external stabilization support, if engaged;

- reviewing policy and procedure modernization progress;
- reviewing audit-readiness and federal compliance implications where applicable;
- elevating major governance issues to the Governing Board;
- and supporting a “trust but verify” oversight posture for funders and regional stakeholders.

The Finance Committee should not assume day-to-day management responsibilities. Its role is oversight, review, inquiry, escalation, and accountability.

Governing Board Oversight

The Governing Board retains ultimate governance responsibility for KCRHA.

As corrective action implementation proceeds, the Governing Board will receive regular updates on:

- overall CAP implementation status;
- major financial risks;
- Finance Committee recommendations;
- significant unresolved findings;
- external stabilization partner recommendations, if applicable;
- material administrative budget issues;
- major policy or structural decisions;
- shared operating-model issues requiring City/County/KCRHA alignment;
- and risks affecting regional continuity, federal funding, providers, or public confidence.

The Board’s role should include ensuring that management has a credible implementation plan, that appropriate oversight structures are functioning, and that major governance decisions are made transparently and with sufficient information.

Executive Leadership Accountability

Executive leadership is responsible for implementing the CAP, coordinating internal workstreams, making management decisions, and ensuring that corrective action activities remain aligned with KCRHA’s broader obligations.

Executive leadership will be responsible for:

- assigning internal owners for each CAP workstream;
- reviewing progress before Finance Committee reporting;
- resolving cross-departmental barriers;
- escalating unresolved risks;
- coordinating with City and County funders;

- recommending external support where needed;
- ensuring documentation is retained;
- and maintaining focus on both corrective action and service continuity.

The CAP should not be treated as a finance-only project. It should be managed as an organization-wide stabilization effort led by executive leadership, with finance, operations, compliance, legal, data, contracting, and program functions aligned as needed.

Funder Coordination and Shared Oversight

Many of the issues identified through the forensic evaluation occurred within workflows that cross organizational boundaries, including reimbursement timing, invoice review, fund advances, fund-source changes, documentation expectations, and cash-flow management.

For that reason, governance improvement must include clearer coordination with City and County funding partners.

KCRHA will establish or continue structured funder coordination processes focused on:

- reimbursement timing;
- invoice review expectations;
- fund advance reconciliation;
- receivables validation;
- KCIP and cash-flow analysis;
- administrative funding structure;
- documentation standards;
- rejected-cost and invoice-delay tracking;
- and shared operating-model improvements.

This coordination should not blur accountability. KCRHA remains responsible for its internal financial controls and corrective actions. However, where issues depend on shared information, funder review, reimbursement timing, or intergovernmental process alignment, governance structures should support timely resolution among the relevant entities.

Oversight and Verification Framework

KCRHA recognizes that future confidence must be earned through demonstrated execution over time.

To support a “trust but verify” approach, KCRHA will maintain an oversight and verification framework that includes:

- recurring CAP implementation reporting;

- corrective action dashboard review;
- milestone tracking;
- documentation of completed actions;
- identification of delayed, blocked, or at-risk items;
- escalation of unresolved issues;
- Finance Committee review;
- Governing Board updates;
- funder coordination updates;
- and external validation where appropriate.

This framework is intended to ensure that corrective action progress is visible, documented, and subject to recurring review.

Corrective Action Dashboard

KCRHA will maintain a corrective action dashboard or equivalent tracking tool to support oversight.

The dashboard will track:

- finding or issue area;
- corrective action;
- responsible owner;
- target milestone date;
- current status;
- supporting documentation;
- dependencies;
- risks or barriers;
- escalation needed;
- and next reporting date.

The dashboard will distinguish among:

- historical cleanup activities;
- future-state control implementation;
- governance actions;
- intergovernmental coordination items;
- external stabilization support activities;
- federal compliance or audit-readiness items;
- and structural operating-model decisions.

The dashboard will be reviewed internally by executive leadership and summarized for the Finance Committee, Governing Board, and funder reporting.

Risk Escalation

KCRHA will establish a clear escalation process for financial, operational, compliance, and governance risks.

Escalation triggers may include:

- missed corrective action milestones;
- inability to validate or reconcile material balances;
- delayed or disputed reimbursements;
- material change in KCIP exposure or cash-flow forecast;
- administrative spending variance above established thresholds;
- missing documentation for high-risk transactions;
- procurement, P-card, gift card, or reimbursement exceptions;
- unresolved segregation-of-duties concerns;
- federal compliance or audit-readiness risks;
- lack of capacity to complete required remediation work;
- unresolved disagreements between KCRHA and funders regarding methodology, timing, or accounting treatment;
- and risks to provider payment continuity, CoC responsibilities, HMIS/Data Hub, or Coordinated Entry.

Escalated items will be reviewed by executive leadership and, depending on severity, reported to the Finance Committee, Governing Board, funding partners, or external stabilization partner.

Financial Reporting Improvements

Governance oversight depends on reliable and timely reporting.

KCRHA will strengthen recurring financial reporting to include, as appropriate:

- budget-to-actual reporting;
- administrative spending forecast;
- KCIP balance and cash-flow forecast;
- receivables aging and roll-forward;
- fund advance roll-forward;
- invoice rejection and delay tracker;
- major reimbursement delays or disputes;
- funder billing status;
- significant variances;
- unresolved accounting issues;
- and corrective action progress.

Financial reporting will be designed to support decision-making, not merely provide retrospective information.

Policy and Procedure Governance

KCRHA will strengthen governance over financial and operational policies.

This includes:

- identifying policy owners;
- establishing review and update cycles;
- documenting approval authority;
- ensuring policies align with applicable federal, state, local, funder, and internal requirements;
- training staff on revised policies;
- retaining evidence of policy adoption and implementation;
- and reporting major policy updates to the Finance Committee or Governing Board where appropriate.

Priority policy areas include:

- employee reimbursements;
- P-cards;
- gift cards and cash equivalents;
- procurement;
- invoice review;
- funder billing;
- receivables;
- fund advances;
- contributed funds;
- month-end close;
- budget-to-actual reporting;
- variance escalation;
- documentation retention;
- system permissions;
- subrecipient or provider monitoring where applicable;
- and external stabilization engagement oversight.

Audit-Readiness and Compliance Oversight

Governance improvements will support audit readiness and compliance monitoring.

KCRHA's oversight structures will ensure that corrective actions are aligned with:

- recognized internal-control principles;
- applicable federal grant-management expectations;
- HUD/CoC obligations;
- funder-specific requirements;
- documentation retention standards;
- and future audit review.

Finance Committee and executive reporting will identify issues with potential audit or compliance implications, including:

- missing documentation;
- unreconciled balances;
- unsupported costs;
- procurement exceptions;
- subrecipient monitoring gaps;
- delayed reporting;
- cost allowability concerns;
- and unresolved findings or corrective actions.

Audit readiness will become a recurring governance practice rather than a year-end or post-finding response.

Decision Rights and Accountability

One lesson from the forensic evaluation and subsequent remediation work is the need for clearer decision rights.

KCRHA will clarify which decisions are made by:

- finance leadership;
- executive leadership;
- the Finance Committee;
- the Governing Board;
- funders;
- or other governance bodies.

This is particularly important for decisions involving:

- budget reallocations;
- administrative spending commitments;
- write-offs or accounting adjustments;
- external stabilization support;
- policy adoption;

- fund advance treatment;
- use of program underspend;
- administrative funding model changes;
- procurement or major contracting decisions;
- and major structural or operating-model recommendations.

Clear decision rights reduce ambiguity, improve accountability, and help prevent informal or inconsistent decision-making.

Relationship to External Stabilization Support

External stabilization support, if engaged, will strengthen governance and oversight rather than substitute for it.

An external partner, interim specialist CFO, or expert finance team could support governance by:

- validating current-state financial information;
- helping design dashboard reporting;
- identifying unresolved risks;
- supporting Finance Committee materials;
- clarifying implementation milestones;
- reviewing documentation sufficiency;
- assessing internal control design;
- and helping KCRHA, City, and County partners work from a shared source of truth.

External support will improve the quality of information available to governance bodies while preserving KCRHA’s accountability and Board oversight responsibilities.

Near-Term Milestones

Milestone	Target Window	Purpose
Confirm Finance Committee cadence and reporting expectations	30 days / June 22, 2026	Establish recurring governance review structure.
Formalize CAP implementation dashboard	30 days / June 22, 2026	Support oversight, milestone tracking, and escalation.

Define executive owner for each major CAP workstream	30 days / June 22, 2026	Clarify accountability.
Formalize risk escalation protocol	30–60 days / June 22–July 22, 2026	Ensure delayed or high-risk items are elevated timely.
Develop standard Finance Committee reporting package	30–60 days / June 22–July 22, 2026	Improve consistency and usefulness of oversight materials.
Confirm funder coordination schedule	30–60 days / June 22–July 22, 2026	Support shared resolution of reimbursement, advances, AR, and KCIP issues.
Formalize policy update tracker	60 days / July 22, 2026	Monitor policy modernization and approval status.
Identify audit-readiness documentation standards	60–90 days / July 22–August 21, 2026	Improve future review and compliance readiness.
Develop or refine decision-rights matrix for high-risk financial decisions	60–90 days / July 22–August 21, 2026	Clarify authority and escalation for major financial actions.
Provide first consolidated CAP status report	60–90 days / July 22–August 21, 2026	Demonstrate implementation progress and unresolved risks.

Conclusion

KCRHA’s corrective action work requires a governance structure capable of identifying risk early, verifying progress, supporting funder coordination, and maintaining public confidence. The goal is not only to correct historical deficiencies, but to establish an oversight environment in which similar issues are less likely to recur.

The establishment of the Finance Committee is an important step, but it must be supported by clear reporting, milestone tracking, risk escalation, funder coordination, policy modernization, audit-readiness practices, decision-rights clarity, and executive accountability.

A durable governance framework will help KCRHA rebuild confidence, protect public funds, support service continuity, and improve the region’s ability to oversee and strengthen its homelessness response infrastructure over time.

Appendix J — Historical Timeline of Remediation Activities Already Underway

Purpose

This appendix provides a high-level timeline of remediation, stabilization, governance, and operational improvement activities already underway at KCRHA prior to and following receipt of the Clark Nuber forensic evaluation.

The purpose of this appendix is to demonstrate that KCRHA’s corrective action work did not begin only after delivery of the final forensic evaluation. Many remediation activities were already underway in response to prior audit findings, internal leadership assessment, federal compliance needs, system modernization work, and early findings emerging through the forensic evaluation process.

At the same time, KCRHA recognizes that work already underway does not eliminate the seriousness of the findings or the need for continued corrective action. This timeline is intended to provide context, not closure.

Timeline of Key Remediation and Stabilization Activities

Period	Remediation / Stabilization Activity	Connection to Corrective Action / Stabilization
2022–2024	Recognition of operational and finance instability during KCRHA’s early scale-up period, including contracting, invoicing, reimbursement, accounting, and administrative systems challenges.	These early operating challenges contributed to the need for stronger financial controls, clearer documentation, improved reimbursement workflows, and more mature governance structures.

2024	Leadership transition and arrival of new executive leadership focused on organizational stabilization, operational discipline, and rebuilding credibility.	Current leadership inherited significant financial and operational infrastructure challenges and began prioritizing stabilization, accountability, and corrective action.
2024– 2025	Transition from earlier contract-management tools toward Salesforce-based grants/contracts infrastructure.	This transition was intended to improve contract administration, provider management, spend visibility, compliance tracking, and future-state reimbursement controls.
2024– 2025	Continued development of HMIS/Data Hub infrastructure and regional data tools.	Data Hub and HMIS modernization strengthen regional planning, shared measurement, By-Name List development, subpopulation strategies, and person-centered system coordination.
2024– 2025	Improvement efforts related to provider contracting, invoice processing, reimbursement workflows, and documentation practices.	These improvements address core operating areas implicated in receivables, reimbursement timing, accounting traceability, and provider payment continuity.
2025	State Auditor-related response work, including attention to financial reporting controls, reconciliation, close processes, and documentation.	KCRHA began addressing financial reporting and control weaknesses before receipt of the final forensic evaluation.
2025	Federal compliance preparation and review activities connected to HUD/CoC, grant administration, documentation, and audit-readiness obligations.	These activities support stronger federal grant management, HUD/CoC compliance, documentation standards, and audit readiness.
2025	Policy and procedure development work led by finance and administrative staff, including efforts to document controls and clarify procedures.	Policy development work began formalizing internal expectations for controls, documentation, approval pathways, and recurring review.

Mid-2025	Forensic evaluation review period concludes.	Many remediation activities described in this CAP occurred after the period reviewed by Clark Nuber and should be understood as part of the organization's post-review stabilization work.
Late 2025– Early 2026	Continued organizational stabilization under current leadership, including increased focus on finance, compliance, contracting, and governance improvements.	KCRHA continued shifting from crisis response and inherited instability toward more structured financial management, compliance, and oversight practices.
Early 2026	Increased focus on receivables, cash-flow, administrative budget pressure, KCIP balance, and reconciliation needs.	This work directly informed the CAP's focus on receivables, KCIP/cash-flow, advances, administrative overspend, and working-capital issues.
Early 2026	Strengthening of operational controls related to employee reimbursements, gift cards, P-cards, segregation of duties, permissions, and documentation.	These control improvements address high-risk transaction areas and support a more disciplined internal control environment.
April 2026	Receipt of Clark Nuber forensic evaluation and April 22 City and County funder letter identifying CAP expectations.	The forensic evaluation and funder letter established the formal corrective action framework and expectations for KCRHA's May 23 response.
Late April– Early May 2026	KCRHA leadership begins the formal CAP planning process, including review of forensic findings, funder expectations, and technical response needs.	KCRHA moved from ongoing remediation activity into a structured CAP process organized around findings, timelines, owners, documentation, and oversight.
May 8, 2026	KCRHA submits initial response to City and County, acknowledging seriousness of findings and identifying initial corrective action direction.	The May 8 response established KCRHA's initial corrective action posture and informed the more detailed May 23 CAP.

May 2026	The Governing Board establishes a Finance Committee consistent with forensic evaluation recommendations.	The Finance Committee creates a dedicated governance venue for financial oversight, CAP monitoring, risk escalation, and verification.
May 2026	Finance Committee convenes initial meetings focused on financial condition, receivables, KCIP, administrative spending, cash-flow, and corrective action progress.	Initial Finance Committee meetings began recurring review of the highest-priority financial and corrective action issues.
May 2026	Finance team continues corrective action workbook / crosswalk tied to Clark Nuber findings.	The workbook supports internal tracking of findings, corrective actions, ownership, documentation needs, and implementation status.
May 2026	KCRHA identifies more than \$1M in unbilled receivables requiring follow-up with King County; additional AR categorization continues.	This work begins to categorize the receivables issue into billable, rebillable, resolved, disputed, unsupported, or potentially adjustable amounts.
May 2026	KCRHA applies approximately \$1.5M in available funding or offsets to reduce administrative overspend exposure, with final documentation and reporting treatment reflected through the CAP implementation process.	This action reduces current administrative overspend exposure while preserving the need for final documentation, validation, and reporting treatment.
May 2026	KCRHA begins evaluating external stabilization support, including potential interim specialist finance leadership or outside advisory support.	External stabilization planning responds to the need for additional capacity, specialized financial expertise, independent validation, and shared source-of-truth development.

May 23, 2026 KCRHA submits Corrective Action Plan.

The CAP organizes ongoing and planned remediation into a formal structure with workstreams, milestones, owners, documentation expectations, oversight, and escalation pathways.

Major Remediation Themes Already Underway

The activities above can be grouped into six major remediation themes.

1. Financial Reporting and Reconciliation

KCRHA has begun or continued work related to:

- receivables review and categorization;
- invoice and reimbursement tracking;
- KCIP and cash-flow analysis;
- fund advance review;
- administrative overspend validation;
- month-end close improvement;
- and financial reporting modernization.

These activities directly support the CAP's focus on unresolved receivables, negative KCIP balance, cash management, and accounting infrastructure.

2. Internal Control Improvements

KCRHA has already initiated or strengthened controls related to:

- employee reimbursements;
- gift cards and cash equivalents;
- purchasing cards;
- segregation of duties;
- accounting permissions;
- documentation retention;
- and supervisory review.

These activities support the internal control enhancements described in Appendix G.

3. Governance and Oversight

KCRHA has taken steps to improve governance oversight, including:

- establishment of a dedicated Finance Committee;
- recurring review of financial condition and remediation progress;
- increased executive focus on financial stabilization;
- and development of CAP implementation structures.

These activities support the CAP's proposed oversight and verification framework.

4. Systems Modernization

KCRHA has invested in systems intended to improve future-state operations, including:

- Salesforce grants/contracts infrastructure;
- provider-facing contract and spend visibility tools;
- HMIS/Data Hub development;
- and improved reporting infrastructure.

These systems support provider contracting, reimbursement visibility, compliance, data-driven planning, and regional coordination.

5. Federal Compliance and Audit Readiness

KCRHA has begun or continued work related to:

- State Auditor response;
- documentation improvement;
- federal compliance preparation;
- HUD/CoC-related responsibilities;
- policy and procedure development;
- and audit-readiness expectations.

These activities support future-state alignment with federal grant-management requirements, HUD/CoC obligations, and recognized control principles.

6. External Stabilization Planning

KCRHA has begun evaluating outside support options to address current capacity and capability gaps, including:

- external financial stabilization support;
- interim specialist finance leadership;

- technical reconciliation assistance;
- implementation governance support;
- and intergovernmental operating-model support.

This planning reflects KCRHA's recognition that current internal capacity and capability alone is insufficient to complete the required remediation work at the pace and confidence level needed.

What This Timeline Demonstrates

This timeline demonstrates several important points.

First, KCRHA has already begun meaningful remediation activity across finance, controls, governance, systems, compliance, and reporting.

Second, many current remediation activities began before the final forensic evaluation was delivered, reflecting broader organizational recognition that significant repair and modernization were needed.

Third, current leadership inherited serious operational and financial infrastructure challenges and has been working to stabilize the organization while continuing to administer the regional homelessness response system.

Fourth, the work remains incomplete. KCRHA must continue strengthening controls, validating balances, improving reporting, rebuilding finance leadership capacity, and establishing a durable governance structure.

Finally, the timeline reinforces the central premise of the CAP: the appropriate path forward is not denial of the deficiencies, but disciplined stabilization, modernization, external support where needed, and sustained oversight.

Conclusion

The CAP is intended to organize that work into a more disciplined implementation framework with clearer priorities, milestones, oversight, documentation, and verification. KCRHA acknowledges the seriousness of the forensic evaluation findings and accepts the need for continued corrective action.

At the same time, KCRHA has already begun substantial remediation and stabilization work across financial reporting, internal controls, governance, systems modernization, federal compliance, and external support planning.

This appendix provides historical context for that work and reinforces that the May 23 CAP is not the beginning of remediation. It is the formal organization, prioritization, governance, and acceleration of remediation already underway.