

Report on Feasibility of Implementing Auditor Recommendations and Proposed Amendment Concepts

October 20, 2025



King County

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II. Background

Department Overview

King County's Department of Community and Human Services (DCHS) provides equitable opportunities for people to be healthy, happy, and connected to community. DCHS envisions a welcoming community that is racially just, where the field of human services exists to undo and mitigate systemically inequitable structures. The Department coordinates the County's human services investments, through direct services and a network of contracted providers, to serve 477,000 individuals annually. DCHS stewards County revenue from the Veterans, Seniors and Human Services Levy (VSHSL), Best Starts for Kids Levy (BSK), the MIDD behavioral health sales tax fund (MIDD), the Crisis Care Centers Levy (CCC), the Health Through Housing sales tax (HTH), and the Puget Sound Taxpayer Accountability Account (PSTAA), along with other state and federally-directed revenues.^{1, 2, 3, 4, 5}

Legislative History and Current Context

In January 2025, by Motion 16723, the King County Council adopted a work program for the King County Auditor's Office (KCAO) that included plans to conduct an audit of DCHS' management of juvenile diversion services.^{6, 7} In August 2025, the Auditor's Office released a report that showed during a period of rapid growth during and after the COVID-19 pandemic, DCHS' internal controls and compliance standards did not keep up with the demand for its services. The audit stated, "DCHS took on greater financial risk as a strategy to reduce barriers to contracting among organizations with limited government experience." The KCAO identified 10 recommendations to help DCHS strengthen its financial stewardship and build a robust internal control framework.⁸

¹ Veterans, Seniors and Human Services Levy. <https://kingcounty.gov/en/dept/dchs/human-social-services/community-funded-initiatives/veterans-seniors-human-services-levy>

² Best Starts for Kids Levy. <https://kingcounty.gov/en/dept/dchs/human-social-services/community-funded-initiatives/best-starts-for-kids>

³ The MIDD behavioral health sales tax fund is also referred to as the Mental Illness and Drug Dependency fund. <https://kingcounty.gov/en/dept/dchs/human-social-services/community-funded-initiatives/midd-behavioral-health-tax>

⁴ Health Through Housing Initiative. <https://kingcounty.gov/en/dept/dchs/human-social-services/community-funded-initiatives/health-through-housing>

⁵ Puget Sound Taxpayer Accountability Account. <https://kingcounty.gov/en/dept/dchs/human-social-services/community-funded-initiatives/pstaa>

⁶ Motion 16723. <https://mkcclegisearch.kingcounty.gov/LegislationDetail.aspx?ID=7030493&GUID=9F12AB5C-3AF3-4096-A7C4-A33CAA52FC5B&Options=Advanced&Search=>

⁷ Initial calls for the audit in 2024 focused on the Restorative Community Pathways (RCP) youth diversion program. The audit did not contain any findings related to RCP, but the final scope of the audit encompassed a broader range of youth programs.

⁸ King County Auditor's Office (August 26, 2025, updated September 10, 2025). Department of Community and Human Services Needs to Strengthen Financial Stewardship. <https://cdn.kingcounty.gov/-/media/king-county/independent/governance-and-leadership/government-oversight/auditors-office/reports/audits/2025/dchs-contracts/dchs-contracts-2025.pdf?rev=de1da047b6c94b9d9ac69aebf3b4de4f&hash=A3D1D5746BFA9C7911E02029536AA559>

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The Executive and DCHS take the KCAO findings, and the duty to be strong financial stewards of public resources, seriously. DCHS is working to implement the audit's recommendations by strengthening internal policies and procedures, increasing staff capacity to achieve contract management and compliance monitoring standards, and training contracted providers on contract and invoicing requirements.⁹ DCHS is implementing these changes with the support of the Executive, the Finance and Business Operations Division (FBOD) of the Department of Executive Services, and external consultants. DCHS is committed to strengthening financial stewardship. The following efforts are already under way to do so:

- In the summer of 2025, before the Auditor's Office issued its report, DCHS adopted a new Contract Compliance Monitoring Policy that strengthens oversight, supports coordination among program and fiscal compliance staff, and ensures proper documentation and reporting.¹⁰
- DCHS is working on completing a risk mitigation assessment of its use of a hybrid payment model for some contracts.¹¹ Meanwhile, the department has implemented additional approval measures for new contracts using this payment model.
- In September, an external financial consulting firm began working directly with DCHS to help assess the department's current state, identify any additional gaps and risks, and support implementing the report's recommendations.
- DCHS prioritized anti-fraud training for finance staff and staff with purchase cards in May 2025 and intends to begin expanding these trainings for all relevant staff in 2026. DCHS is developing three new trainings for contracted providers that are expected to launch in early 2026: DCHS Contracting, Financial Management and Best Practices, and DCHS Contract Compliance.
- The Executive's proposed 2026-2027 biennial budget includes \$10 million in targeted investments to strengthen the department's internal controls and enhance contract oversight. Some investments in the proposed budget specifically address audit recommendations, while others support broader improvements aligned with the audit's key themes, including contract compliance, contract management, and financial stewardship.¹²

⁹ King County DCHS (September 5, 2025). Cultivating Connections: Doing Right by Communities: Our Commitment to Accountability and Transparency. <https://dchsblog.com/2025/09/05/doing-right-by-communities-our-commitment-to-accountability-and-transparency/>

¹⁰ King County DCHS Contract Compliance Monitoring Policy. (2025) <https://cdn.kingcounty.gov/-/media/king-county/depts/dchs/contracts/contract-requirements/dchs-contract-compliance-monitoring-policy.pdf?rev=b3ad858210cf42c7b92aeb48fda22c8d&hash=CF67D08936C88EFA7894E48FCAC3619>

¹¹ A hybrid payment model refers to a payment approach where DCHS pays set monthly amounts based on contract budgets. (For example, if an organization had a 12-month contract with a \$120,000 budget, DCHS would pay \$10,000 per month.) Organizations using this model submit expense reports quarterly. DCHS reconciles payments to expense reports after three months or more. The hybrid model directs staff to reconcile payments to expenses starting in the fourth month of a one-year contract and the second year of a multi-year contract. Organizations paid under the hybrid model also submit quarterly budget-to-actuals reports. These reports compare actual expenses, by category, to budget line items and payments to date.

¹² Proposed Ordinance 2025-0288. The most directly responsive proposed investments are new compliance staff to achieve monitoring targets, as well as new finance staff to support the Children, Youth, and Young Adults Division (that helps administer Best Starts for Kids) to have more capacity to review and validate documentation and reconcile payments. <https://mkcclegisearch.kingcounty.gov/LegislationDetail.aspx?ID=7680373&GUID=B4E9E09C-A982-4A8C-A0DA-6CC195D69EE0&Options=Advanced&Search=>

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DCHS is putting in place stronger internal controls to make sure staff and contracted providers have what they need to succeed. This work also requires systems that are equitable to help achieve the results communities need. Importantly, the department will build capacity to implement updated contracting and fiscal management policies and procedures, and to enhance staff and providers' foundational knowledge, through trainings and other supports, and by increasing staff in compliance and finance.

In late September 2025, Ordinance 19978 was adopted, requiring DCHS to undertake certain actions as part of its fiscal stewardship responsibilities.¹³ These actions include implementing the use of best practices in contract management and compliance monitoring; performing regular risk assessments of contract agencies; and instituting financial management training for department staff and contract agencies. The Ordinance also calls for DCHS to provide information to the Council about its response to several of the audit's recommendations, through a series of reports, letters, and briefings.¹⁴

III. Report Requirements

This report responds to the requirement of Ordinance 19978, Section 3.A.2 a-d, for DCHS to provide a report by October 20, 2025, on the feasibility of implementing the KCAO recommendations and proposed amendment concepts outlined in the Ordinance that are not specifically addressed in the Ordinance's reporting requirements.¹⁵ Specifically, the Ordinance calls for this report to include an evaluation of (a) whether reforms can be achieved within existing resources, (b) a recommended timeline and implementation plan, (c) an assessment of associated costs, and (d) identification of structural changes required to ensure lasting oversight improvements. This section responds to these four requirements.

The work to address the 10 KCAO recommendations is under way. This is a large, complex, interconnecting, body of work that will take time to develop and implement across the organization. As noted above, DCHS has already taken action to strengthen financial stewardship, including the implementation of a new Contract Compliance Monitoring Policy.¹⁶ This policy clarifies roles between program and fiscal staff, identifies timelines for program and fiscal compliance monitoring visits, and includes protocols for communicating about concerns pertaining to contracts or contracted providers. As detailed in this report's Appendix B, which contains the Executive Response to the KCAO report, DCHS intends to fulfill the recommendations outlined in the KCAO report with new policies called for by the KCAO report to be developed by March 31, 2026, and full implementation of all recommendations by mid-2027.¹⁷

¹³ Ordinance 19978. <https://mkcclegisearch.kingcounty.gov/LegislationDetail.aspx?ID=7638134&GUID=6C08433A-B1B7-4E54-A3F9-C512CD12E80D&Options=Advanced&Search=>

¹⁴ Ordinance 19978. <https://mkcclegisearch.kingcounty.gov/LegislationDetail.aspx?ID=7638134&GUID=6C08433A-B1B7-4E54-A3F9-C512CD12E80D&Options=Advanced&Search=>

¹⁵ See subsection 3.A.2 of Ordinance 19978, lines 196-197.

¹⁶ New DCHS Contract Compliance Monitoring Policy (July 1, 2025). <https://cdn.kingcounty.gov/-/media/king-county/depts/dchs/contracts/contract-requirements/dchs-contract-compliance-monitoring-policy.pdf?rev=b3ad858210cf42c7b92aeb48fda22c8d&hash=CF67D08936C88EFA7894E48FCAC3619>

¹⁷ King County Auditor's Office (August 26, 2025, updated September 10, 2025). Department of Community and Human Services Needs to Strengthen Financial Stewardship. <https://cdn.kingcounty.gov/-/media/king-county/independent/governance-and-leadership/government-oversight/auditors->

Feasibility of Implementing Auditor’s Recommendations

As part of the established protocol with the KCAO for Executive responses to audits, on August 19, 2025, the King County Executive’s Office provided the KCAO with the Executive Response, included as Appendix C of this report. The recommendation table in this response provides a timeline for implementing each KCAO recommendation, spanning from late 2025 through mid-2027. The timelines vary due to interconnectedness and phasing of the work, staffing capacity, overall complexity, and contract volume of the department. Notably, several improvement initiatives are already underway, including the aforementioned implementation of the updated Contract Compliance Monitoring Policy and associated staff trainings; a risk assessment of the hybrid payment model; development of trainings for contracted providers regarding financial stewardship values and practices; and interdepartmental coordination with Public Health – Seattle & King County.¹⁸

DCHS began working with an external consultant on September 30, 2025 to further understand weaknesses in current systems and provide strategic, technical, and change management support to DCHS in meeting the following objectives:

- Align financial controls and stewardship with DCHS program outcomes
- Standardize contract and invoice management practices, including subcontractor oversight
- Enhance fraud prevention through training, risk assessment, and ongoing monitoring
- Identify and realize efficiencies in shared funding oversight with Public Health – Seattle & King County
- Build internal and contractor capacity to fulfill financial stewardship roles

Table 1 below provides DCHS’ analysis of feasibility for each of the ten KCAO report recommendations.¹⁹

[office/reports/audits/2025/dchs-contracts/dchs-contracts-2025.pdf?rev=de1da047b6c94b9d9ac69aebf3b4de4f&hash=A3D1D5746BFA9C7911E02029536AA559](https://cdn.kingcounty.gov/-/media/king-county/depts/dchs/contracts/contract-requirements/dchs-contract-compliance-monitoring-policy.pdf?rev=de1da047b6c94b9d9ac69aebf3b4de4f&hash=A3D1D5746BFA9C7911E02029536AA559). The Executive Response is Appendix 3 to the KCAO report, and is included as Appendix B to this report.

¹⁸ New DCHS Contract Compliance Monitoring Policy (July 1, 2025). <https://cdn.kingcounty.gov/-/media/king-county/depts/dchs/contracts/contract-requirements/dchs-contract-compliance-monitoring-policy.pdf?rev=b3ad858210cf42c7b92aeb48fda22c8d&hash=CF67D08936C88EFA7894E48FCAC3619>

¹⁹ King County Auditor’s Office (August 26, 2025, updated September 10, 2025). Department of Community and Human Services Needs to Strengthen Financial Stewardship. <https://cdn.kingcounty.gov/-/media/king-county/independent/governance-and-leadership/government-oversight/auditors-office/reports/audits/2025/dchs-contracts/dchs-contracts-2025.pdf?rev=de1da047b6c94b9d9ac69aebf3b4de4f&hash=A3D1D5746BFA9C7911E02029536AA559>

[Report on Feasibility of Implementing Auditor Recommendations and Proposed Amendment Concepts](https://cdn.kingcounty.gov/-/media/king-county/independent/governance-and-leadership/government-oversight/auditors-office/reports/audits/2025/dchs-contracts/dchs-contracts-2025.pdf?rev=de1da047b6c94b9d9ac69aebf3b4de4f&hash=A3D1D5746BFA9C7911E02029536AA559)

Table 1. Feasibility Analysis for KCAO Report Recommendations

KCAO Report Recommendation	DCHS Feasibility Analysis	Planned Actions and Expected Timeline
Recommendation 1: Develop, document, and implement a strategy to strengthen internal controls for financial management that includes, at a minimum, 1) a clear vision of how financial stewardship relates to program goals, and 2) the role of compliance, fiscal, and program staff in supporting fiscal stewardship.	Feasible to achieve by June 30, 2027, with current and Executive-proposed resources, through close collaboration with consultants.	- DCHS has already begun working with the consultant to assess its current state and identify gaps and needs. The consultant's work will inform specific actions DCHS will take to fulfill Recommendation 1. - Broadly, during the first half of 2026, DCHS plans to define a clear vision for how financial stewardship relates to program goals, including updated policies and procedures, implementation, and change management plans for all staff, as informed by the consultant's recommendations. - By June 30, 2027, DCHS intends to have the new policies, procedures, and trainings for staff and contracted providers fully implemented.
Recommendation 2: Work with Public Health – Seattle & King County to develop, document, and implement a plan to identify opportunities for efficiencies in the financial oversight of organizations funded by both departments.	Feasible to achieve by June 30, 2026, within current and Executive-proposed resources, through close collaboration between DCHS and Public Health – Seattle & King County (PHSKC).	- Leadership in Public Health – Seattle & King County (PHSKC) has committed to working with DCHS to identify opportunities for efficiencies and to align on a path forward. - By the end of 2025, DCHS and PHSKC intend to form a joint workgroup to focus on Recommendation 2. The workgroup will complete an inventory of current financial oversight activities, conduct analysis, and create an efficiency plan. - By mid-2026, DCHS and PHSKC intend to implement the financial oversight efficiency plan and establish consistent coordination meetings.

KCAO Report Recommendation	DCHS Feasibility Analysis	Planned Actions and Expected Timeline
Recommendation 3: Develop, document, and implement a plan to offer ongoing anti-fraud training for all staff. At a minimum, this training should include information on the impact of fraud, why people commit fraud, how to identify it, and how to report it.	Feasible by December 31, 2026, with current and Executive-proposed resources plus possible additional resources if needed to purchase curriculum. DCHS plans to explore the use of existing Learning Management Systems, such as NeoGov, to administer and track the training.	• DCHS finance staff and staff who have purchase cards completed anti-fraud training in May 2025. • Staff in the Behavioral Health and Recovery Division (BHRD) are required by federal funding requirements to complete annual anti-fraud training. ○ DCHS intends to partner with the Finance and Business Operations Division (FBOD) to determine whether the existing BHRD training is adequate, or if additional training should be required. • During the fourth quarter of 2025, DCHS plans to partner with FBOD to identify external training tools. DCHS intends to ensure that training content includes information on the impact of fraud, why people commit fraud, how to identify it, and how to report it. • During the first quarter of 2026, DCHS intends to pilot training and collect and analyze feedback. • DCHS expects to initiate department-wide rollout of this training by mid-2026 and will monitor early participation. • The department intends to require all staff to complete the training by the end of 2026. DCHS also plans to develop and implement an annual training refresh process.

KCAO Report Recommendation	DCHS Feasibility Analysis	Planned Actions and Expected Timeline
Recommendation 4: Conduct and document the results of a risk assessment of its hybrid payment model that specifies how its response appropriately mitigates the risks of fraud and improper payments.	Feasible by June 30, 2026 within current and Executive-proposed resources, through close collaboration and partnership with FBOD and consultants.	- At the time of writing of this report, DCHS is reviewing its hybrid payment model to identify and reduce risks of potential fraud and improper payments.²⁰ - In the third quarter of 2025, the department launched a risk assessment of its hybrid payment model and added extra approval steps for any new contracts using this payment model, to strengthen oversight while the full review is underway. to strengthen oversight while the full review is underway. - The department, in partnership with the consultant, intends to complete a comprehensive analysis and develop clear mitigation strategies. - DCHS plans to finish the assessment by December 31, 2025, and expects to finalize and implement approved mitigation measures by June 30, 2026.

²⁰ Hybrid payment model: DCHS pays set monthly amounts based on contract budgets. For example, if an organization had a 12-month contract with a \$120,000 budget, DCHS would pay \$10,000 per month. Organizations using this model submit expense reports quarterly. DCHS reconciles payments to expense reports after three months or more. The hybrid model directs staff to reconcile payments to expenses starting in the fourth month of a one-year contract and the second year of a multi-year contract. Organizations paid under the hybrid model also submit quarterly budget-to-actuals reports. These reports compare actual expenses, by category, to budget line items and payments to date.

KCAO Report Recommendation	DCHS Feasibility Analysis	Planned Actions and Expected Timeline
Recommendation 5: Develop, document, and implement a plan to monitor the effectiveness of the Best Starts for Kids capacity-building program in improving the financial capacity of grantees and use monitoring results to inform Recommendation 6.	Feasible by June 30, 2027, within current and Executive-proposed resources, through close collaboration and partnership with evaluators.	• As part of its implementation of the 2022-2027 Best Starts for Kids levy, DCHS and PHSKC launched a full evaluation of the Best Starts for Kids capacity building strategy in November 2023. ○ The evaluation is exploring the implementation and impact of the program, whether it has fostered equitable outcomes for organizations, and recommendations for the future. ○ Initial findings are expected by June 30, 2026. ○ Findings are expected to inform planning for a potential renewed Best Starts for Kids levy and can also be used to also inform the Executive’s response to Recommendation 6. • BSK staff and evaluators are exploring whether/how to adjust the data collection methodology to more explicitly focus on financial capacity.
Recommendation 6: Develop, document, and implement a plan for effectively communicating to grantees their role in financial stewardship and how they are supported and held accountable to that role.	Feasible by March 31, 2026, within current and Executive-proposed resources.	• DCHS plans to launch three financial stewardship trainings by the end of March 2026 responsive to Ordinance 19978 and the KCAO’s recommendations. DCHS intends to make these trainings available to all DCHS contract agencies, and to require financial management and best practices training for a subset of agencies consistent with Ordinance 19978. DCHS expects to be able to implement these trainings with existing resources, which include: ○ DCHS contracting; ○ Financial management and best practices; and ○ DCHS contract compliance.

KCAO Report Recommendation	DCHS Feasibility Analysis	Planned Actions and Expected Timeline
Recommendation 7: Enforce contract requirements related to subcontractors by ensuring, at a minimum, that 1) it has issued written approval for all subcontractors, 2) subcontracts contain language required by contract, and 3) it takes action to correct any improper payments that may have occurred related to unapproved subcontracts.	Feasible by March 31, 2026, within current and Executive-proposed resources.	• During the fourth quarter of 2025, DCHS plans to form an internal working group to complete an initial review of contracts and subcontracts to determine the current state of subcontractor requirements. • During the first quarter of 2026, DCHS intends to ensure contract language and requirements are consistent and clear regarding the use of subcontractors, clearly document its internal written approval process around the use of subcontractors, and improve contract templates to more explicitly document when there is expected to be a subcontractor delivering a portion of the contracted services. • DCHS intends to develop and document a corrective action process for any instances of unapproved or non-compliant subcontracts, including review and recovery of improper payments when applicable. • By March 31, 2026, the department expects to initiate staff training to ensure contract managers are equipped to enforce the subcontractor requirements through regular communication and compliance checks, adhere to the internal approval process, and equipped to identify and report any improper payments.

KCAO Report Recommendation	DCHS Feasibility Analysis	Planned Actions and Expected Timeline
Recommendation 8: Develop, document, and implement clear and consistent policies and procedures for: 1. invoice validation including, at a minimum, a) guidance on allowable and reasonable costs and b) staff duties to request and review supporting documents for high-risk costs, like subcontracts, stipends, and prepaid cards 2. contract amendments 3. stipend payments 4. prepaid card logs 5. when contract payments exceed actual expenditures 6. contract termination 7. funding eligibility of for-profit businesses as both grantees and subcontractors on community grants 8. documentation management including, at a minimum, the appropriate system(s) for collecting and storing documentation that is used to validate invoices and comply with contract terms.	Feasible by March 31, 2026, within current and Executive-proposed resources plus the hiring of a Special Duty/Term-Limited Temporary (TLT) Contract Management Best Practices Manager.	• By March 31, 2026, DCHS intends to develop policies and procedures for the eight areas noted in this recommendation, informed by the work of the external consultant. • DCHS is currently recruiting for a Special Duty/TLT Contract Management Best Practices Manager, with a goal of filling the role by mid-January 2026. This role will be responsible for developing procedures and support and training tools for contract management staff to effectively implement the new policies called for by the recommendation over the course of 2026.
Recommendation 9: Develop, document, and implement checklists that help ensure staff adhere to all policies and procedures established in Recommendation 8.	Feasible by December 31, 2026, within current and Executive-proposed resources plus the hiring of a Special Duty/Term-Limited Temporary (TLT) Contract Management Best Practices Manager to help with implementation.	• DCHS' Special Duty/TLT Contract Management Best Practices Manager is expected to develop procedures and support and training tools, including checklists, for contract management staff to effectively implement the new policies and procedures established in Recommendation 8.

KCAO Report Recommendation	DCHS Feasibility Analysis	Planned Actions and Expected Timeline
Recommendation 10: “Develop, document, and implement a comprehensive staff training plan that covers policies, procedures, and checklists from Recommendations 8 and 9.”	Initially feasible with current and Executive-proposed resources through close collaboration with the consultant and the hiring of a TLT Contract Management Best Practices Manager. Sustained work will likely require adjusted staff roles and additional staffing to support ongoing fidelity with post-award contract management best practices.	• In addition to developing procedures and checklists to help implement the policies established in Recommendation 8, DCHS’ Special Duty/TLT Contract Management Best Practices Manager is expected to develop a comprehensive staff training plan. • Initial training is feasible with additional temporary resources and support from existing staff. However, sustained work will likely require further staffing alignment and additional resources. • In early 2026, DCHS expects to begin coordination with the King County Department of Human Resources and the next King County Executive on possible changes to organizational structure and staff roles.

Feasibility of Implementing Proposed Amendment Concepts

This report interprets the phrase “proposed amendment concepts” from subsection 3.A.2, lines 196-197 of Ordinance 19978 to encompass the new requirements of Ordinance 19978 that are not addressed in the Ordinance’s reporting and briefing requirements. Specifically, these include increasing the use of best practices in contract management and compliance monitoring; monitoring multiyear contract agencies’ time spent on compliance activities; performing regular risk assessments and site visits for multiyear contract agencies; and instituting financial management and best practices training for multiyear contract agencies.

Feasibility of Developing, Documenting, Implementing, and Adhering to Best Practices Regarding Contract Management and Compliance Monitoring (*Ordinance 19978, Section 1.A.2.a.*)

Developing, documenting, and initially implementing contract management best practices is feasible during 2026 with current and Executive-proposed resources through close collaboration and partnership with the external consultant referenced above and the hiring of a TLT Contract Management Best Practices Manager.²¹ However, achieving and sustaining fidelity to post-award contract management best practices and KCAO recommendations will likely require adjusting staff roles, adding staff, and enhancing data systems s. Recommendations from the external consultant are expected in the first

²¹ Proposed Ordinance 2025-0288.

<https://mkcclegisearch.kingcounty.gov/LegislationDetail.aspx?ID=7680373&GUID=B4E9E09C-A982-4A8C-A0DA-6CC195D69EE0&Options=Advanced&Search=> The Executive’s proposed budget for 2026-27 would increase capacity in contracts and compliance through bringing on two additional compliance staff, converting two Term-Limited Temporary Contract Specialist positions to career service positions, and adding two more Functional Analyst positions to support DCHS’ contract lifecycle management software.

quarter of 2026. With the information from the external consultant, DCHS intends to develop a long-term staffing and implementation strategy to support the institutionalization of contract management and compliance monitoring best practices. DCHS expects to request additional staffing authority and resources when needed, to support this strategy.

Feasibility of Establishing Protocols and Procedures for Monitoring Multiyear Contract Agencies' Time Spent on Contract Compliance Activities and Evaluating Effectiveness and Efficiency of Contract Processes and Requirements (*Ordinance 19978, Section 1.A.2.b.*)

DCHS intends to use direct feedback from contractors to determine the updated process and establish internal controls to evaluate implementation of monitoring activities. Regularly gathering feedback on DCHS' contract management and compliance activities and their impact on contracted providers is feasible within current and Executive-proposed resources and a priority for DCHS. DCHS already routinely collects information about contractors' experience using a variety of methods, such as surveys administered at the end of the solicitation application process, required annual narrative reporting about successes and challenges in implementing contracted services, and annual fiscal compliance sub-recipient surveys. DCHS plans to integrate questions into existing feedback mechanisms to assess the time spent, effectiveness, and efficiency of DCHS' increased contract monitoring requirements on contractors. This approach would minimize burden on contractors and is feasible with existing resources. DCHS expects that the approach to gathering and monitoring this information will evolve as improvements are instituted over time. As DCHS begins this implementation and designs implementation of Audit Recommendation 1, the department may request additional resources to fulfill this requirement.

Feasibility of Performing Annual Risk Assessment of Multiyear Contract Agencies Receiving County-Administered Moneys and Performing In-Person Site Visits of Each Multiyear Contract Agency Every Three Years (*Ordinance 19978, Section 1.A.2.c.*)

It is feasible for DCHS to continue conducting annual risk assessments of multi-year contract agencies using current methodologies, within current and Executive-proposed resources. A broader scope would require additional resources.

Each year, the DCHS Fiscal Compliance Team conducts a first quarter risk assessment of agencies that receive County funds to deliver services directly to residents. In the first quarter of 2025, for example, DCHS assessed nearly 400 contract agencies to identify potential financial, or compliance risks based on their history of meeting contract and reporting deliverables, maturity of internal operations, and size and complexity of contract funding. DCHS will continue to complete this task annually with existing and Executive-proposed compliance staff capacity and reporting tools.

DCHS' current process conducts risk assessments of contractors that deliver human services or community-based programs directly to residents using DCHS-administered funding. Current risk assessment activities do not include the roughly 85 fee-for-service contractors that deliver services to support DCHS contractors, such as language translation, workforce training, technical assistance and capacity building.²² The department's current process does not include roughly 50 contractors who are

²² For the purposes of this report, "fee-for-service contractors" refers to organizations hired by DCHS to provide specific support or ancillary services, such as language translation, workforce training, technical assistance, or

involved in the development of capital housing projects, where financing and contracting processes already include risk assessment and mitigation activities.²³ If it is the Council's intention for DCHS to increase annual risk assessments and fiscal monitoring site visits to include these approximately 135 additional contractors (a 33 percent increase), additional resources within the department's Compliance Team would be needed.

Ordinance 19978, Section 1.A.2.c. further directs DCHS to perform in-person site visits of multi-year contracted agencies once every three years. DCHS interprets this requirement as inclusive of in-person programmatic or fiscal monitoring site visits, consistent with its Contract Compliance Monitoring Policy instituted in July 2025.²⁴ The department's policy requires all subrecipients to receive either an in-person or remote monitoring visit covering programmatic and fiscal operations at least once every three years. Under this policy, program monitoring includes interviews with agency program staff, review of policies, procedures, and board minutes, and reviews of client files where applicable. Fiscal monitoring includes review of financial policies, internal controls, ledgers, and source documentation.

To implement Ordinance 19978's directive to conduct in-person monitoring, additional staffing will be required. At the time of writing this report, the department is still analyzing the additional staffing required to implement in-person monitoring and comprehensive implementation of best practices. The Executive's 2026-2027 proposed budget includes positions that will help the department to fulfill this standard. However, through process improvements alongside the external consultant, DCHS is likely to identify that additional staffing is needed to implement this change consistently and using best practices to deliver high quality contract management. The current department policy allows virtual monitoring visits, so additional staff are likely needed to address the additional travel time that in-person visits to all multiyear contract agencies is expected to require. In the meantime, DCHS expects to use the risk assessment process to determine which organizations most need in-person monitoring and, which allow for virtual monitoring (low-risk organizations), until sufficient resources are identified.

DCHS engages with about 180 contracted providers for formal fiscal and/or programmatic compliance monitoring each year. This includes roughly 70 contractors that receive federal pass-through funding and therefore must be fiscally monitored every year, as well as 110 to 120 local or state-only-funded contractors identified for triennial monitoring. During COVID, most organizations transitioned to an online or hybrid workplace. With this change, fiscal compliance monitoring visits are typically conducted virtually as many organizations have moved their financial records to be accessible online. Additionally, some organizational headquarters have moved out of state or are outside of King County and would require travel for in-person site visits. Overall, implementation of a requirement to conduct in-person site visits at least every three years for all multiyear contract agencies likely requires additional staffing to address the increase in workload for DCHS' monitoring staff. These additional resources were not anticipated in the Executive's proposed 2026-2027 budget, and DCHS would scale implementation of in-

capacity-building, in return for payment of a fee. Unlike subrecipients that deliver direct services to clients, these contractors provide discrete support services to other service providers rather than operating client-facing programs themselves.

²³ Many capital housing projects funded by DCHS undergo detailed risk assessment through the department's Housing Finance Program. <https://kingcounty.gov/en/dept/dchs/human-social-services/housing-homeless-services/funding-opportunities/housing-finance>

²⁴ King County DCHS Contract Compliance Monitoring Policy. (July 1, 2025). <https://cdn.kingcounty.gov/-/media/king-county/depts/dchs/contracts/contract-requirements/dchs-contract-compliance-monitoring-policy.pdf?rev=b3ad858210cf42c7b92aeb48fda22c8d&hash=CF67D08936C88EFA7894E48FCAC3619>
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person monitoring policies and procedures to the amount of funding provided. Supplemental budget authority may be required if the Council requires in-person visits.

Feasibility of Requiring Multiyear Contract Agencies to Complete Financial Management and Best Practices Training Developed by the Department (*Ordinance 19978, Section 1.A.2.d.*)

DCHS is committed to providing orientation and training to contracted providers before entering contracts and after contracts have been executed. Beginning in January 2026, DCHS contract managers will provide orientations to awarded organizations and contracted providers. These orientations will cover:

- Available capacity building resources at DCHS;
- DCHS' standard contract terms and conditions;
- Guidance for documenting the statement of work's milestones and deliverables;
- Instructions for submitting invoices and documentation, and
- What to expect during program and fiscal contract monitoring.

In a September 2025 survey conducted by the department, contract agencies indicated that the priority areas for training include allowable versus unallowable costs, maintaining necessary financial records, invoicing, and indirect versus direct costs. As directed in Ordinance 19978, Section 1.A.2.d, starting in July 2026, DCHS intends to require contract agencies with multiyear contracts who receive more than \$50,000 from the department to complete financial management and best practices training developed and delivered by DCHS.

Training content is currently in development. The training is expected to cover topics such as financial stewardship of King County resources, understanding and application of best practices related to invoice documentation, and standardization of financial reporting expectations across providers and divisions to ensure consistent, equitable, and complete application of financial controls. DCHS plans to seek feedback from training attendees and will prioritize continuous improvement of the training to meet contract agencies' needs for information and support.

Evaluation of Whether Reforms can be Achieved within Existing Resources

While the department is moving urgently to implement recommendations, the consecutive nature of some of the recommendations requiring development of policies and then development or acquisition of a training curriculum, followed by implementation, necessarily requires longer timelines to fully implement. DCHS staff are working closely with the external consultant to thoroughly assess the department's current state, identify gaps and needs, and develop recommendations and a phased plan for implementation. This work is expected to lead to increased resource needs. Based on the consultant's recommendations, DCHS will work with the Office of Performance, Strategy and Budget to develop any budget supplemental requests necessary to make the plan a reality.

DCHS intends to balance resources needed to implement strong contract and fiscal management practices with its commitment to facilitating the delivery of accessible, high-quality, and impactful services in the community. DCHS has identified the following areas where additional resources are or may be needed:

- **KCAO Recommendation 3:**
DCHS is working to implement anti-fraud training for all staff. Potential resources to purchase a curriculum may be required. DCHS intends to explore the use of existing Learning Management Systems, such as NeoGov, to administer and track the training.
- **Contract Management Best Practices (*Ordinance 19978, Section 1.A.2.a.*):**
A Term-Limited Temporary (TLT) Contract Management Best Practices Manager is needed and is being recruited. This role is crucial to effectively implementing contract management best practices, in addition to several of the KCAO recommendations, across the department. The person in this role will be responsible for working collaboratively with contract management staff across the department to operationalize, implement, and stabilize recommendations and additional policies and procedures, and ensuring adequate training and onboarding of contract managers. Recommendations from the consultant will help to inform whether there is an ongoing need for this role.
- **Annual Risk Assessments of Multiyear Contract Agencies Receiving County-Administered Moneys (*Ordinance 19978, Section 1.A.2.c.*):**
As discussed earlier in this section, for DCHS to add risk assessments for additional agencies beyond the scope of the assessments the department currently conducts, additional funding for staffing resources, beyond what is included in the Executive’s proposed 2026-2027 budget, will be needed.
- **Performing In-Person Site Visits of Each Multiyear Contract Agency Every Three Years (*Ordinance 19978, Section 1.A.2.c.*):**
As discussed earlier in this section, implementing a requirement for DCHS to conduct in-person site visits at least every three years would substantially increase workloads for monitoring staff, and additional funding for staffing resources will be needed.

As DCHS continues to partner closely with the external consultant, additional resource needs are expected to become clearer. DCHS plans to work with the Executive and the County’s Performance, Strategy and Budget Office in 2026 to develop and submit any supplemental budget requests that are necessary.

Assessment of Associated Costs

DCHS immediately begun KCAO recommendation response activities within current resources, while also planning for Executive-proposed 2026-2027 resources to be available. The department intends to continue to refine where additional resources are needed as noted above, and expects further refinements once recommendations are provided by the consultant. For example, the department expects to incorporate any initial refinements to analyses provided in this report in its status update letter due to the Council on November 30, 2025, per Ordinance 19978, section 4.A. If additional resources are required to sustain expanded oversight and compliance functions, DCHS plans to work with the PSB to submit a supplemental budget request or requests in 2026 or future years.

The external consultant is thoroughly assessing the department’s current state to identify gaps and needs. The consultant will develop recommendations and a phased plan for the department’s future state in the first quarter of 2026. The consultant’s work includes identifying operational and fiscal

implications of each KCAO recommendation and the additional DCHS requirements in Ordinance 19978. Once that analysis is complete, DCHS expects to be able to provide more detailed cost estimates and identify potential funding sources, such as reallocation of existing resources, or potential supplemental budget requests in 2026.

At this early point in the work, DCHS anticipates that the most significant costs for implementation in future supplemental budgets will be:

- **Expanded Risk Assessment:**
Conducting an annual risk review for more than 530 multi-year contract agencies, which is a 33 percent increase in scope, would require additional Fiscal Compliance staff and analytical capacity. Unless directed otherwise by the Council, DCHS intends to continue conducting the annual risk assessment for the approximate 400 agencies it currently assesses, excluding contracts for general services such as language translation, technical assistance and capacity building activities, and capital construction projects. This approach allows the department to focus oversight resources on human service agencies that directly deliver programs and outcomes funded through DCHS administered contracts.
- **System and Reporting Enhancements:**
Modest costs are expected for adapting existing data systems to support the new risk assessment framework, reporting dashboards, and tracking of training and contract compliance activities. These costs will be one-time or short-term investments and may be absorbed through existing technology budgets or small-scale requests.
- **Training and Capacity Building:**
Three fiscal stewardship staff trainings will largely leverage existing DCHS learning systems but may require content development costs in 2026 to finalize and deliver, with the intention of making these trainings available to contracted providers in 2026. See the separate concurrent *Service Provider Capacity and Fiscal Partnership Program Feasibility Analysis Report* for estimated resources needed to implement a potential new service provider capacity and fiscal partnership program.
- **Hybrid Payment Model Assessment and Response:**
DCHS has already initiated this work, including implementing additional pre-approval measures for contracts using hybrid payments. Current costs are being covered within existing budgets and through engagement with the external consultant. Future funding needs will depend on any recommended system or policy changes implemented in 2026.
- **Expanded In-Person Monitoring:**
As discussed earlier in this report, implementing a requirement for DCHS to conduct in-person site visits at least every three years would substantially increase workloads for monitoring staff, and additional funding for staffing resources would be needed to meet this threshold. Unless directed otherwise by Council, DCHS intends to use the risk assessment process to determine which organizations most need in-person monitoring and which allow for virtual monitoring (low-risk organizations), until sufficient resources are identified.

Recommended Timeline and Implementation Plan

DCHS has thoroughly reviewed each of the 10 KCAO recommendations, and the requirements of Ordinance 19978, and has determined that full implementation is feasible within the indicated timelines, which range from late 2025 through mid-2027, as summarized below. As noted earlier in this report, the basis for the timespan is due to interconnectedness and phasing of the work, staffing capacity, overall complexity, and contract volume of the department. Significant time and effort is expected to be required of DCHS employees, with support from the King County Executive and the Council.

Fourth Quarter 2025:

DCHS is laying the groundwork for substantial updates to contract management, oversight, and internal controls. Key activities include engaging the external consultant for a gap analysis on internal controls and advice on policy improvements, forming a joint oversight workgroup with PHSKC, and developing anti-fraud training modules for staff. The department has also begun a risk assessment of its hybrid payment model. Simultaneously, work is expected to begin on subcontractor enforcement, contracting policy updates, grantee orientation training development, and identifying applicable frameworks for contract management best practices. These efforts are expected to require strong Executive sponsorship, interdepartmental collaboration, and early engagement from staff and contractors.

First and Second Quarters 2026:

By mid-January 2026, DCHS expects to have completed the recruitment for a TLT Contract Management Best Practices Manager. By the end of January 2026, all DCHS staff with contract management duties are expected to have completed a new Contract Compliance Monitoring training series. During the first half of 2026, DCHS plans to focus on formalizing and piloting new systems and tools. DCHS intends to define its financial stewardship vision, draft or update policies, and begin implementing joint oversight procedures with PHSKC. Anti-fraud training is expected to be refined and launched for all relevant staff, and a hybrid payment model risk mitigation plan will be put in place. Subcontractor enforcement protocols are expected to be finalized and implemented, and the department will launch quarterly provider orientations and other training opportunities. Drafting of new contract management policies is expected to begin, along with preparation of accompanying staff checklists and job aids and a comprehensive staff training plan. By the end of June, surveys to assess contract compliance burden on contracted providers are expected to be designed. These efforts are expected to require coordination across divisions, strong leadership engagement, and enhanced technology infrastructure.

Third and Fourth Quarters 2026:

During this period, DCHS plans to shift into implementation and evaluation. Internal control policies are expected to be finalized and implemented throughout the department by the end of 2026. Additionally, all relevant staff are expected to complete anti-fraud training by the end of 2026. If additional data collection is needed to assess the impact of the Best Starts for Kids capacity building program on fiscal management, it is expected to begin in the second half of 2026. A full grantee orientation plan is expected to be in effect. The department plans to pilot contract compliance impact surveys, begin implementing an enhanced contract management framework, and expand annual risk assessment processes and related monitoring activities. These activities are expected to require sustained staff engagement, executive support, and feedback to ensure continuous improvement.

First and Second Quarters 2027:

The department plans to focus on completing implementation and embedding implemented policies and procedures in its operations. Enhanced internal controls and contract and fiscal management best practices are expected to be implemented by the entire department, with training and accountability mechanisms in place. The expanded annual risk assessment framework is expected to be applied to all multi-year contract agencies. The Best Starts for Kids capacity building program evaluation is expected to be completed and incorporated into levy renewal plans in partnership with the Executive. DCHS plans to be regularly collecting feedback about the burden its increased contract management and compliance expectations is placing on contractors, and adjusting as needed. These efforts are expected to institutionalize new practices and support long-term accountability and performance monitoring. These activities may require additional dedicated resources in the areas of compliance and centralized best practices support for the Department.

Identification of Structural Changes Required to Ensure Lasting Oversight Improvements

DCHS is working closely with the external consultant to assess its current state, identify gaps and needs, and develop a vision and roadmap for the department's future state. DCHS expects the consultant to identify and recommend needed changes in process standardization, control enhancements, and resources and staffing alignment, that will inform potential organizational changes to the department. DCHS anticipates those recommendations in the first quarter of 2026, which will prompt coordination with the King County Department of Human Resources, and the next King County Executive on possible changes to organizational structure or staff roles.

IV. Conclusion

DCHS has thoroughly reviewed each of the 10 KCAO recommendations and the requirements of Ordinance 19978. It has determined that full implementation of the recommendations and requirements is feasible within the indicated timelines, which range from late 2025 through mid-2027. While the department is moving urgently to execute recommendations, the consecutive nature of some of these recommendations, requiring development of policies and then development or acquisition of a training curriculum, followed by implementation, requires longer timelines to fully implement. Many foundational improvement activities are already in motion, including the rollout of the new Contract Compliance Monitoring Policy, targeted staff trainings, the launch of interdepartmental coordination efforts with PHSKC, and the engagement of an external consultant. These swift actions reinforce the Executive and department's commitment to strengthening fiscal stewardship.

A key driver of DCHS's progress on fulfilling the KCAO recommendations is the partnership with an external consultant that has been engaged to conduct a current-state assessment of DCHS's financial and contract management infrastructure. Working closely with a cross-section of DCHS staff, including department leadership, the consultant is helping to identify gaps, prioritize needs, and craft a detailed roadmap for future state of financial and contract management operations. By the first quarter of 2026, DCHS expects to have specific consultant recommendations for improvements. These recommendations, in turn, will inform a potential supplemental budget request in 2026.

While DCHS is confident in leveraging existing staff and tools to initiate many reforms, certain recommendations will require incremental staffing increases and targeted technology and reporting enhancements. Through the work of a TLT Contract Management Best Practices Manager that DCHS is

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currently recruiting, the department intends to work collaboratively with contract management staff across the department to operationalize, implement, and stabilize recommendations, including additional policies and procedures. Additionally, the person in this role will be responsible for ensuring adequate training and onboarding of contract managers. In 2027, DCHS will assess whether there is an ongoing need for this role.

With support from the Executive, structured timelines, and a phased resourcing strategy, DCHS intends to fulfill the recommendations outlined in the KCAO report, as detailed in the Executive Response to the KCAO report that is included as this report's Appendix B, and to address the additional requirements of Ordinance 19978 as discussed in this report.²⁵ New policies are expected to be developed by March 31, 2026, with full implementation of all recommendations planned by mid-2027. Through these efforts, DCHS intends to deliver on its commitment to fiscal responsibility and community impact.

²⁵ King County Auditor's Office (August 26, 2025, updated September 10, 2025). Department of Community and Human Services Needs to Strengthen Financial Stewardship. <https://cdn.kingcounty.gov/-/media/king-county/independent/governance-and-leadership/government-oversight/auditors-office/reports/audits/2025/dchs-contracts/dchs-contracts-2025.pdf?rev=de1da047b6c94b9d9ac69aebf3b4de4f&hash=A3D1D5746BFA9C7911E02029536AA559>. The Executive Response is Appendix 3 to the KCAO report, and is included as Appendix B to this report. [Report on Feasibility of Implementing Auditor Recommendations and Proposed Amendment Concepts](#)

Appendix A: Full Text of Ordinance 19978

AN ORDINANCE relating to contract management and compliance monitoring protocols for the department of community and human services; and amending Ordinance 11955, Section 5, as amended, and K.C.C. 2.16.130.

STATEMENT OF FACTS:

1. On August 26, 2025, the King County auditor's office produced an audit report titled Department of Community and Human Services Needs to Strengthen Financial Stewardship, outlining the department's contract management practices for youth programs from 2022 to 2025.
2. The department has awarded more than \$1.8 billion in grant funding in 2023 and 2024 combined, up from \$922 million in 2019 and 2020.
3. Amid rapid growth in grant funding, the department of community and human services took on greater financial risk as a strategy to reduce contracting barriers among organizations with limited government experience.
4. The auditor's office found that the department could do more to manage its financial risk of these programs by applying internal controls more consistently.
5. The audit report revealed gaps in several areas including enforcement of contract terms, validation of invoices, and communication of expectations to staff and grantees.
6. The report noted that the department runs its own procurement processes to award those moneys, resulting in contracts known as community grants. Unlike other contracts, community grants are outside the scope of King County's central procurement group, limiting independent oversight. In this environment, the department of community and human services faces a higher risk of fraud, waste, and abuse as it allocates public moneys.
7. Ten recommendations were mentioned in the county auditor's report that highlight where improvements can be made and how they should be addressed.
8. The King County council supports the department of community and human services in its mission to provide equitable opportunities for individuals to be healthy, happy, and connected to community. In alignment with the mission, the council affirms a guiding principle: restoring public trust and addressing the contracting crisis through financial accountability, transparency, and the responsible use of public moneys. The principle is essential to supporting nonprofit partners and the communities they serve, while upholding rigorous standards of accountability.
9. The King County council is dedicated to supporting the department of community and human services's commitment to safeguarding public resources, by creating legislation that will provide more tangible measures to strengthen that work.
10. The council intends to make additional investments in the county's auditing and oversight functions in the 2026-2027 biennial budget, appropriating at least two full-time equivalent positions to support an internal audit function. The council will explore whether these additional investments can be achieved through reprioritization of existing budgetary resources.
11. The council acknowledges that additional opportunities exist to improve contracting practices across all county agencies and will explore ways to effectively implement improvements countywide. Special attention will be paid to implementing structural, organizational improvements to enhance accountability, including separation of program design and advocacy from grant administration and oversight.

BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

SECTION 1. Ordinance 11955, Section 5, as amended, and K.C.C. 2.16.130 are each hereby amended to read as follows:

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A.1. The department of community and human services is responsible to manage and be fiscally accountable for the children, youth, and young adults division, the behavioral health and recovery division, the developmental disabilities and early childhood supports division, the adult services division, and the housing and community development division.

2.a. As part of its fiscal stewardship responsibility, the department shall develop, document, implement, and adhere to best practices regarding contract management and compliance monitoring, including, but not limited to, the department's current contract compliance monitoring policy, to ensure that publicly-administered moneys are being used in a manner consistent with contract terms and conditions, while concurrently engaging in supportive contracting practices and partnerships with its contract agencies.

b. The department shall establish protocols and procedures for monitoring multiyear contract agencies' time spent on contract compliance activities and evaluating the effectiveness and efficiency of contract processes and requirements.

c. The department shall at least annually perform a risk assessment of its multiyear contract agencies receiving county-administered moneys and, in addition to general contract management and compliance monitoring activities, perform an in-person site visit of each multiyear contract agency at least once every three years. Site visits conducted in response to a complaint of suspected fraud, waste, or abuse of public moneys shall be prioritized by the department for scheduling and initiated as soon as possible. For the purposes of this section, "multiyear contract agency" means an agency whose contract with the department spans more than one calendar year in duration.

d. Beginning July 1, 2026, the department shall require multiyear contract agencies receiving more than fifty thousand dollars in county-administered moneys during a single biennium to complete a financial management and best practices training developed by the department. The training must be completed by December 31, 2026, or within one hundred eighty calendar days of the effective date of any new contract entered into by the department after July 1, 2026. This training requirement may be waived at the discretion of the department director, or designee, in any one or more of the following circumstances:

(1) the multiyear contract agency has completed the department-designated financial management and best practices training within the three years before the effective date of the contract;

(2) the multiyear contract agency provides to the department a copy of audited financial statements that were prepared by an independent certified public accountant for the two most recent fiscal years and include an unqualified opinion on the statements and no indication of material weakness in the agency's internal controls;

(3) the multiyear contract agency provides to the department a copy of two single audits, also referred to as an A-133 audit, that were prepared by an independent certified public accountant and completed within the two most recent fiscal years and that do not contain an indication of material weakness in the agency's internal controls;

(4) the multiyear contract agency has been identified as a low-risk grantee through the risk assessment required by subsection A.2.c. of this section;

(5) the multiyear contract agency received an in-person site visit from the department during the prior calendar year with no negative findings; or

(6) any other criteria that may be established and documented in written policy in the future by the department.

B. The duties of the children, youth, and young adults division shall include the following:

1. Working in partnership with communities and other funders to develop, support, and provide human services that emphasize prevention, early intervention, and community education, and that strengthen children, youth, young adults, families, and communities in King County; and

2. Managing programs that promote healthy childhood development, enhance youth resiliency, reduce justice system involvement, strengthen families and communities, and ensure all children, youth, and

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young adults have the opportunity to achieve their full potentials. The division shall also provide staff to support the King County children and youth advisory board.

C. The duties of the behavioral health and recovery division shall, subject to available resources and to its exercise of discretionary prioritization, include the following:

1. Managing and operating a comprehensive continuum of behavioral health services including prevention, mental health, substance use disorder, and co-occurring disorder treatment services for children, youth, and adults who meet eligibility criteria;
2. Managing and operating a twenty-four-hour crisis response system, including civil commitment as a last resort;
3. Selecting appropriate agencies for the provision of behavioral health services and developing, implementing, and monitoring the provision and outcomes of contracted services;
4. Being responsible for resource management of a comprehensive behavioral health system including provision of staff support to appropriate advisory boards, and serving as liaison to federal, state, and other governments and relevant organizations in carrying out planning and allocation processes;
5. Facilitating the continuing availability of appropriate treatment services for eligible individuals with a diagnosis of a mental illness, substance use, or co-occurring disorder; and
6. Developing and maintaining a continuum of appropriate treatment services for eligible individuals.

D. The duties of the developmental disabilities and early childhood supports division shall include the following:

1. Managing and operating a system of services for infant mental health, early childhood development screening, and a system of services for persons with developmental disabilities in accordance with relevant state statutes and county policies and to provide staff support to the King County board for developmental disabilities; and
2. Negotiating, implementing, and monitoring contracts with community agencies for the provision of developmental disabilities and early childhood support services.

E. The duties of the adult services division shall include the following:

1. Working in partnership with communities to develop, support, and provide human services and programs that emphasize health and safety, self-sufficiency, and healthy aging. The programs are to include, but not be limited to, providing employment and training for adults to achieve self-sufficiency, providing supports to survivors of abuse and trauma, and providing health, socialization, and wellness services to promote healthy aging in place;
2. Providing assistance to indigent veterans and their families as authorized by chapter 73.08 RCW; and
3. Providing staff support for the women's advisory board as specified in K.C.C. 2.30.040 and for the veterans, seniors, and human services levy advisory board and its committees consistent with state and county requirements.

F. The duties of the housing and community development division shall include the following:

1. Managing programs that address housing and community development needs, and helping implement improvements identified in subarea and neighborhood plans for low-and-moderate income communities;
2. Administering the county's federal housing, homelessness, and community development moneys and other housing, homelessness, and community development moneys;
3. Developing housing, homelessness, and community development policies and programs to implement the growth management policies throughout King County to provide affordable housing to low-and moderate-income residents; and
4. Providing staff support for the renter's commission as specified in K.C.C. chapter 2.150.

SECTION 2. The department of community and human services shall offer, no later than March 31, 2026, to provide a briefing to the committee of the whole, or its successor, to update the committee on the status of the department's contract management and compliance monitoring activities, including, [Report on Feasibility of Implementing Auditor Recommendations and Proposed Amendment Concepts](#)

but not limited to, activities initiated consequent to any recommendations from the King County auditor's office, as well as a summary of previous recommendations from prior county audits that identified similar challenges with financial oversight of county-administered grants and a report of what has been learned and implemented from those recommendations, including why any recommended actions were not implemented.

SECTION 3. A. The department of community and human services shall provide, by no later than October 20, 2025, the following reports to the council:

1.a. A report analyzing the feasibility of establishing a services provider capacity and fiscal partnership program that makes available to all department multiyear contract agencies ongoing technical assistance and capacity building services. Examples of technical assistance and capacity building services may include, but not be limited to, contract compliance training, financial management services, or any other best practices financial advisory services.

b. The report should also identify an estimated implementation timeline, with a goal of program implementation beginning January 1, 2026, as well as any resources needed for enabling program implementation.

c. Additionally, the report should include a recommendation regarding whether a services provider capacity and fiscal partnership program would be more suitable for administration by the department, an external service provider, or both;

2. A report detailing the feasibility of implementing the auditor's recommendations and proposed amendment concepts. The report shall include, but not be limited to:

a. an evaluation of whether reforms can be achieved within existing resources;

b. a recommended timeline and implementation plan;

c. an assessment of associated costs; and

d. identification of structural changes required to ensure lasting oversight improvements; and

3. A report analyzing the feasibility of establishing an expanded public dashboard that provides information on departmental contract outcomes to demonstrate appropriate and effective use of contract award moneys. The report shall include, but not be limited to:

a. a list of recommended departmental contract outcomes, such as exits to housing, treatment completions, recidivism reductions, hospital emergency room and jail touchpoints, to include in the expanded public dashboard;

b. a recommended timeline and implementation plan; and

c. an assessment of associated costs.

B. The executive shall electronically file the reports required by subsection A. of this section with the clerk of the council, who shall retain an electronic copy and provide an electronic copy to all councilmembers.

SECTION 4. A. By November 30, 2025, the department of community and human services shall provide a status update letter to the council responding to the auditors' recommendations and any available plans for implementation of improvements to contract management and compliance monitoring activities.

B. The executive shall electronically file the letter with the clerk of the council, who shall retain an electronic copy and provide an electronic copy to all councilmembers.

SECTION 5. A.1. The department of community and human services shall provide an electronic notification letter to the council, which should also be made available in any department dashboard reporting, on or before March 31 of each year, beginning in 2026, that includes, but is not limited to, the following information:

a. the percentage of its multiyear contract agencies that received an in-person site visit from the department during the prior calendar year;

- b. a status update on the department's contract management and compliance monitoring activities; and
- c. a summary of data for the prior calendar year regarding monitoring of contract agencies' time spent on contract compliance activities and evaluating the effectiveness and efficiency of contract processes and requirements.

2. The executive shall electronically file the letter with the clerk of the council, who shall retain an electronic copy and provide an electronic copy to all councilmembers.

B. In addition to the annual notification letter required in subsection A. of this section, if the department identifies credible evidence of contractor agency fraud, waste, or abuse of county-administered moneys, the department shall provide an electronic notification letter to the clerk of the council that provides a summary of any substantiated findings within thirty calendar days of any substantiated findings. The clerk of the council shall retain an electronic copy of the electronic notification letter and provide an electronic copy to all councilmembers.

SECTION 6. A. To aid in supporting the department of community and human services's commitment to fiscal accountability and safeguarding public resources, the King County auditor's office, in collaboration with the King County ombuds, is requested to provide a written report to the council that includes, but is not limited to the following information:

- 1. Analysis on the feasibility of, and anticipated timeline, recommended structure and powers, and associated costs for, adding an inspector general position or positions within the auditor's office, or within a department outside of the department of community and human services, who would be responsible for auditing, investigating, and receiving public concerns and complaints of suspected contracting agency fraud, waste, or abuse of county-administered moneys;
- 2. Analysis of the feasibility of, and anticipated timeline and associated costs for, creating a qui tam program relating to department of community and human services-administered moneys that is administered within or external to the auditor's office; and
- 3. Analysis of the feasibility of, and anticipated timeline and associated costs for, creating an independent contract review process for department of community and human services-administered contracts that are administered within or external to the auditor's office.

B. Where warranted, analysis included in the report requested by subsection A. of this section may recommend that new functions, positions, programs and reviews not be limited in scope to the department of community and human services.

C. The report requested by subsection A. of this section should be electronically provided to the clerk of the King County council by June 1, 2026, with a status report provided by March 1, 2026, who shall retain a copy and provide an electronic copy to all councilmembers.

Appendix 3: Executive Response



King County

Office of Performance, Strategy and Budget

401 Fifth Avenue, Suite 810
Seattle, WA 98104

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www.kingcounty.gov

August 19, 2025

Kymber Waltmunson
King County Auditor
516 Third Ave., Suite 1033
Seattle, WA 98104

Dear Ms. Waltmunson:

Thank you for the opportunity to review the audit report titled “Department of Community and Human Services Needs to Strengthen Financial Stewardship.” The enclosed recommendation table outlines the Department of Community and Human Services (DCHS) responses to each of the 10 recommendations. DCHS concurs with all 10 recommendations.

The audit findings focus on contracts between 2022 and 2025. During this period, the department experienced rapid growth in scope and funding due to the County’s COVID-19 emergency response and recovery efforts without commensurate infrastructure, internal processes, and staffing. DCHS was at the forefront of the County’s emergency COVID response efforts, setting up and operating four Isolation and Quarantine sites, four deintensification shelters, COVID vaccination clinics, and a field hospital. The agency also executed over 100 new contracts for COVID recovery, including distributing close to \$400 million to nearly 40,000 households across King County for eviction prevention and rental assistance.

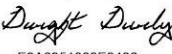
These efforts to provide financial and other resource assistance to community providers and contractors were not well balanced with our value of Responsible Stewardship. This report and its findings provide a path for DCHS to strengthen internal controls, improve oversight and accountability, and ensure that its contracting processes and standards evolve with its fiscal responsibilities. These improvements are foundational to the department’s responsible stewardship of County resources for its 557 contracted service providers and 1,290 programs and its role safeguarding the diverse and essential human services on which our region’s residents rely.

The Executive and DCHS are committed to fully and effectively implementing the Auditor’s recommendations. The department is working with my staff in the Office of Performance,

Strategy and Budget to develop funding proposals for the capacity to achieve the recommended improvements.

We appreciate the time and effort of the Auditor and staff throughout this process.

Sincerely,

DocuSigned by:

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Dwight Dively
Director of Performance, Strategy and Budget

cc: Karan Gill, Deputy County Executive, Chief of Staff, King County Executive Office
Kelli Carroll, Director of Special Projects, King County Executive Office
Jennifer Hills, Deputy Chief Operating Officer, King County Executive Office
Kelly Rider, Director, Department of Community and Human Services
Amber Green, Deputy Director, Department of Community and Human Services

Recommendation 1

The Department of Community and Human Services should develop, document, and implement a strategy to strengthen internal controls for financial management that includes, at a minimum, 1) a clear vision of how financial stewardship relates to program goals, and 2) the role of compliance, fiscal, and program staff in supporting fiscal stewardship.

AGENCY RESPONSE

CONCURRENCE **CONCUR**

IMPLEMENTATION DATE 6/30/2027

RESPONSIBLE AGENCY DCHS

COMMENT Internal control strategies and ongoing monitoring will be developed and implemented by the Chief Financial and Operating Officer in coordination with DCHS' Fiscal Contract Compliance and Program Monitoring Workgroup. This work will include building on the department's updated Contract Compliance Monitoring Policy along with other guidance that may be developed by the department, the Finance, Business, and Operations Division (FBOD) of the Department of Executive Services, and consultants. The updated and strengthened controls will address a vision for how financial stewardship relates to programmatic goals along with the role of compliance, fiscal, and program staff in supporting fiscal stewardship.

DCHS plans to develop and implement department-wide communications and practices throughout 2026 and complete this recommendation in 2027. The timeline is dependent on staffing capacity and may require engagement of external experts.

Recommendation 2

The Department of Community and Human Services should work with Public Health – Seattle & King County to develop, document, and implement a plan to identify opportunities for efficiencies in the financial oversight of organizations funded by both departments.

AGENCY RESPONSE

CONCURRENCE **CONCUR**

IMPLEMENTATION DATE 06/30/2026

RESPONSIBLE AGENCY DCHS and Public Health – Seattle & King County

COMMENT DCHS will work directly with Public Health – Seattle & King County to increase coordination of financial compliance oversight between the two departments for organizations funded by each department. Increased coordination will include the development, documentation, and implementation of a plan to identify opportunities for efficiencies in the financial oversight of organizations funded by both departments. The fiscal oversight plan is expected to be developed and documented by the end of 2025 and implemented in 2026.

Recommendation 3

The Department of Community and Human Services should develop, document, and implement a plan to offer ongoing anti-fraud training for all staff. At a minimum, this training should include information on the impact of fraud, why people commit fraud, how to identify it, and how to report it.

AGENCY RESPONSE

CONCURRENCE **CONCUR**

IMPLEMENTATION DATE 12/31/2026

RESPONSIBLE AGENCY DCHS

COMMENT DCHS will develop, document, and implement a plan to offer ongoing anti-fraud training for all staff. This work will be undertaken in partnership with FBOD. DCHS plans to deliver this training to all staff by the end of 2026. This will build on anti-fraud training already completed by 38 priority DCHS staff in 2025.

Recommendation 4

The Department of Community and Human Services should conduct and document the results of a risk assessment of its hybrid payment model that specifies how its response appropriately mitigates the risks of fraud and improper payments.

AGENCY RESPONSE

CONCURRENCE **CONCUR**

IMPLEMENTATION DATE 6/30/2026

RESPONSIBLE AGENCY DCHS

COMMENT The department will conduct and document the results of a risk assessment of the hybrid payment model that specifies how it mitigates the risks of fraud and improper payments. DCHS has hired a new Chief Financial and Operating Officer who has begun analyzing this payment model. DCHS may also engage FBOD and external consultants along with DCHS Finance and Compliance Services team and Contracts and Procurement staff to support the assessment, documentation, and design of risk mitigation measures. This work is planned to be implemented by the end of June 2026.

Recommendation 5

The Department of Community and Human Services should develop, document, and implement a plan to monitor the effectiveness of the Best Starts for Kids capacity-building program in improving the financial capacity of grantees and use monitoring results to inform Recommendation 6.

AGENCY RESPONSE

CONCURRENCE **CONCUR**

IMPLEMENTATION DATE 6/30/2027

RESPONSIBLE AGENCY DCHS

COMMENT DCHS will develop, document, and implement a plan to monitor the effectiveness of the Best Starts for Kids capacity-building program in improving the financial capacity of grantees and use monitoring results to inform Recommendation 6. The department is currently launching contractor orientation and training to strengthen grantee understanding and fulfillment of contract terms, including invoice documentation requirements. A full evaluation of Best Starts for Kids' Technical Assistance and Capacity Building program is scheduled to be completed in 2027, and this will include findings on capacity building's impact on contracted organizations. Best Starts staff will conduct an additional analysis of financial capacity building learnings and produce a supplemental report to the evaluation in 2027 to inform DCHS' improvements. External consulting may be utilized to support DCHS staff to fulfill this recommendation.

Recommendation 6

The Department of Community and Human Services should develop, document, and implement a plan for effectively communicating to grantees their role in financial stewardship and how they are supported and held accountable to that role.

AGENCY RESPONSE

CONCURRENCE **CONCUR**

IMPLEMENTATION DATE 3/31/2026

RESPONSIBLE AGENCY DCHS

COMMENT DCHS is launching quarterly training for grantees in 2026 which will incorporate financial management, contract compliance, and contracting requirements to reinforce grantees' responsibilities as financial stewards of County resources. A comprehensive plan that includes these trainings and additional forms of communication is expected to be complete and implementation initiated by the end of March 2026. This plan will be led by DCHS' Director of Strategic Partnerships with support from DCHS' Communications Director. External consulting may be utilized to support DCHS staff to fulfill this recommendation.

Recommendation 7

The Department of Community and Human Services should enforce contract requirements related to subcontractors by ensuring, at a minimum, that 1) it has issued written approval for all subcontractors, 2) subcontracts contain language required by contract, and 3) it takes action to correct any improper payments that may have occurred related to unapproved subcontracts.

AGENCY RESPONSE

CONCURRENCE **CONCUR**

IMPLEMENTATION DATE 3/31/2026

RESPONSIBLE AGENCY DCHS

COMMENT DCHS will take steps necessary to fulfill this recommendation. This includes issuing written approval for all subcontractors, 2) subcontracts that contain language required by contract, and 3) correction of any improper payments that may have occurred related to unapproved subcontracts. DCHS contract language requires that all subcontractors be approved in writing. Enforcement will ensure these requirements are consistently met, grantees are educated on these terms, and written approval is issued for all subcontractors in order for invoices to be paid. Review of these processes will be integrated into the department's contract compliance monitoring processes to ensure ongoing oversight. The Finance and Compliance Services team, in coordination with Contracts and Procurement staff may engage FBOD and external consultants to support implementation of the procedures to assist in identifying and addressing any improper payments related to unapproved subcontracts. DCHS plans for full implementation by March 31, 2026. All DCHS staff, including program managers and fiscal and compliance services team members, will be trained to hold contractors responsible for these updated terms and conditions.

Recommendation 8

The Department of Community and Human Services should develop, document, and implement clear and consistent policies and procedures for:

1. invoice validation including, at a minimum, a) guidance on allowable and reasonable costs and b) staff duties to request and review supporting documents for high-risk costs, like subcontracts, stipends, and prepaid cards
2. contract amendments
3. stipend payments
4. prepaid card logs
5. when contract payments exceed actual expenditures
6. contract termination
7. funding eligibility of for-profit businesses as both grantees and subcontractors on community grants
8. documentation management including, at a minimum, the appropriate system(s) for collecting and storing documentation that is used to validate invoices and comply with contract terms.

AGENCY RESPONSE

CONCURRENCE **CONCUR**

IMPLEMENTATION DATE 3/31/2026

RESPONSIBLE AGENCY DCHS

COMMENT	DCHS will prioritize and phase the work necessary to develop, document, and implement clear and consistent policies and procedures for each of the items in this recommendation. DCHS contracting standards are planned to be updated by March 31, 2026 as part of overall improvements the department is making to contracting practices. The Chief Financial and Operating Officer will lead this work. External consulting may be utilized to support DCHS staff to fulfill this recommendation.
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Recommendation 9

The Department of Community and Human Services should develop, document, and implement checklists that help ensure staff adhere to all policies and procedures established in Recommendation 8.

AGENCY RESPONSE

CONCURRENCE **CONCUR**

IMPLEMENTATION DATE 12/31/2026

RESPONSIBLE AGENCY DCHS

COMMENT DCHS will develop, document, and implement relevant checklists for fiscal staff, compliance staff, and program managers to ensure consistent and effective implementation of the policies and procedures in Recommendation 8. Full implementation of this recommendation is anticipated by the end of 2026.

Recommendation 10

The Department of Community and Human Services should develop, document, and implement a comprehensive staff training plan that covers policies, procedures, and checklists from Recommendations 8 and 9.

AGENCY RESPONSE

CONCURRENCE **CONCUR**

IMPLEMENTATION DATE 6/30/2027

RESPONSIBLE AGENCY DCHS

COMMENT DCHS staff with contract management responsibilities are required to complete new training on Contract Compliance Monitoring by the end of 2025. As new policies, procedures, and checklists are developed consistent with these recommendations, the training will be updated and expanded. DCHS is currently hiring a new Chief Administrative Officer who will be responsible for developing and implementing the associated training(s). As recommendations are complete, training will be developed and implemented.