



King County

Metropolitan King County Council

STAFF REPORT

Agenda Item:	21	Name:	Olivia Brey & April Sanders
Proposed No.:	2026-0112	Date:	May 5, 2026

SUBJECT

Proposed Motion 2026-0112 would request that the Executive provide a briefing and report on the King County Regional Homelessness Authority's corrective actions towards addressing financial management and internal control deficiencies, as well as the administrative funding needs and decision framework of the continued participation in the Amended and Restated Interlocal Agreement.

SUMMARY

King County Regional Homelessness Authority (KCRHA), established in 2019, has operated with a negative cash balance since December 2023. A Forensic Evaluation identified several financial management and internal control deficiencies and recommended actions to resolve the identified challenges.

Proposed Motion 2026-0112 would request the Executive provide a briefing regarding the administrative shortfall and an assessment of KCRHA's Corrective Action Plan in response to the Forensic Evaluation. It would also request a report assessing the County's continued participation in the ILA and a decision framework for the Council to consider next steps.

BACKGROUND

KCRHA Governance. Notable actions impacting the governance of KCRHA include the following:

- December 11, 2019: The King County Council adopted Ordinance 19039¹ authorizing the Executive to enter into an interlocal agreement with the City of Seattle for the establishment of the KCRHA with the mission to "significantly decrease the incidence of homelessness throughout King County, using equity and social justice principles." The City of Seattle approved their companion legislation on December 18, 2019.

¹ [King County - File #: 2019-0478](#)

- June 1, 2023: The Governing Committee adopted KCRHA's initial Five-Year Plan.² Article IV, Section 4 of the interlocal agreement required the development of a Five-Year Plan within the first 18 months of operations.
- October 8, 2024: The King County Council adopted Ordinance 19830³, authorizing the Executive to enter into an amended and restated ILA. Noteworthy changes in the Amended and Restated ILA included:
 - Renaming the "Governing Committee" as the "Governing Board" and modifying the appointment of the three members representing Lived Experience so that one each is appointed by the City, County, and Sound Cities Association, respectively;
 - Eliminating the 13-member Implementation Board, which recommends major plans, budgets, and funding allocations to the current Governing Committee; and
 - Adding a focus and scope of work for KCRHA, including serving as the Continuum of Care (CoC) Lead Entity, coordinating the CoC application to the Department of Housing and Urban Development, and administering the Homelessness Management Information System.

The City of Seattle approved their companion legislation on September 24, 2024.

- February 20, 2026: The KCRHA Governing Board adopted the Strategic Five-Year Plan Addendum.⁴ Of note, the Addendum included a commitment to annual reporting on expenditures from all funding sources.
- April 24, 2026: The KCRHA Governing Board established a finance committee⁵ to strengthen financial oversight.

KCRHA 2026 Budget. During the 2026 Budget Process, KCRHA identified an administrative shortfall, initially estimated at \$4.7 million. A reduction in force was implemented aiming to address this gap. The annual budget, passed by the Governing Board on February 20, 2026, included an administrative shortfall of approximately \$954,000.⁶

Seattle City Council approved a Statement of Legislative Intent requesting that the Human Services Department assess KCRHA's administrative shortfall, identify if there is a need for additional funds and the amount necessary, and incorporate additional funds for KCRHA administration, if necessary, into the 2026 mid-year supplemental budget proposal. The assessment is due on May 31, 2026.

Select Financial Audits.

Washington State Auditor Accountability Audit Report. The State Auditor conducted an accountability audit of the KCRHA for the period of January 1, 2024, and December 31, 2024.⁷ According to the audit report, "The Authority's funding model resulted in a

² [KCRHA Five Year Plan, dated June 1, 2023](#)

³ [King County - File #: 2024-0257](#)

⁴ [KCRHA Strategic Five-Year Plan Addendum Resolution, dated February 20, 2026](#)

⁵ [April 24, 2026 Governing Board Packet; Resolution to establish Finance Committee pg 43](#)

⁶ [February 20, 2026 Governing Board Packet, Resolution to approve the 2026 proposed budget pg 8](#)

⁷ [State Auditor Accountability Audit Report, dated November 26, 2025](#)

negative cash balance at year-end, placing its service levels and future obligations at risk.” This is largely due to the fact that the KCRHA operates on a reimbursement model with its funders and does not have a dedicated funding source.

2026 Forensic Evaluation. The City of Seattle and King County engaged an external consultant to complete a forensic evaluation to assess the financial condition, governance, and risk management practices from mid-2021 (operational launch) through July 31, 2025.⁸ The Forensic Evaluation identified several financial management and internal control deficiencies, including:

- Negative cash balance reached approximately \$44.7 million
- Interest charges related to borrowing King County Investment Pool funds totaled \$1.27 million. Administrative overspend also contributed to a total administrative cash deficit of approximately \$4.26 million
- Consistent growth in receivables over the scope period, with an ending balance of \$49.8 million dollars, which includes a receivables balance of \$8 million could not be reconciled based on available records

The Forensic Evaluation included recommendations to resolve the identified challenges including:

- Obtaining a complete and reliable picture of cash
- Implement a complete and consistent GAAP-based monthly close and reporting process
- Improve the invoice and reimbursement process
- Strengthen budget management, oversight, and reporting
- Implement and document an internal control framework aligned with COSO
- Review and align with Uniform Guidance (2 CFR Part 200)
- Additional external accounting, advisory, and project management support

City of Seattle and King County Joint Letter. The City of Seattle Mayor and King County Executive delivered a joint letter to KCRHA on April 22, 2026.⁹ The letter directed KCRHA to provide a written response to the funders identifying a strategy and details of action items that KCRHA is taking to address the high-risk findings from the Forensic Evaluation by May 8, 2026. The letter also directed KCRHA to provide a Corrective Action Plan addressing the rest of the findings by May 23, 2026. Additionally, the letter noted the City's and County's intent to ensure sufficient accounting and oversight controls are in place and recommended additional actions, including a hiring freeze and pausing new agreements.

Proposed Motion 2026-0107. On April 28, 2026, Councilmember Dembowski introduced Proposed Motion 2026-0107, which would provide notice of King County's intent to terminate participation in the ILA with KCRHA.¹⁰ The proposed motion was referred to the Committee of the Whole.

⁸ [KCRHA Forensic Evaluation, dated April 17, 2026](#)

⁹ [Joint Letter to KCRHA, dated April 22, 2026](#)

¹⁰ [King County - File #: 2026-0107](#)

ANALYSIS

Proposed Motion 2026-0112 would request the Executive provide a briefing regarding KCRHA's administrative shortfall and corrective action plan and a report assessing the County's continued participation in the ILA and a decision framework for the Council to consider next steps.

Requested Briefing. The proposed motion requests that Executive provide a briefing to the Committee of the Whole by June 15, 2026, to address the following topics:

- Administrative shortfall: An assessment of KCRHA's administrative funding shortfall considering the receivables balance that could not be reconciled, the total administrative funding need for 2026 and 2027, an estimate of the administrative funding required by each funder, and options to address the administrative shortfall.
- KCRHA's corrective action plan: The corrective action plan developed by KCRHA to address the findings of the Forensic Audit.
- Assessment of the corrective action plan: The Executive's assessment of the corrective action plan and a proposed framework for the County to monitor and evaluate KCRHA's implementation of the corrective actions, as well as enforcement mechanisms or contingencies if corrective actions are not implemented.
- Compliance with funding requirements: An assessment of necessary actions to ensure continued compliance with state, federal, and other funding requirements during the implementation of corrective actions.
- Progress report: An interim briefing on the progress of the report discussed in the following section.

Requested Report. The proposed motion also requests that the Executive transmit a report by August 1, 2026, with a recommendation on whether King County should continue, amend, or terminate its participation in the ILA. The proposed motion requests that the report be developed in consultation with the following entities:

- City of Seattle
- Entities providing homelessness response services funded through KCRHA
- Members of the KCRHA Governing Board
- Leadership of KCRHA
- Other stakeholders as identified by the Executive

The proposed motion would request the report include the following:

- Decision framework: A clear decision framework to guide the Council's consideration on whether King County should continue, amend, or terminate its participation in the ILA
- Transition steps: An assessment of necessary steps and a plan for which funder would be responsible to transition contracts and activities managed by KCRHA.
- Impacts on the CoC: An assessment of the impacts that a termination of the ILA would have on the CoC Board and programs, as well as potential mitigation measures.

- Timeline: An assessment of whether the 12-month period outlined in the ILA would provide sufficient time to complete a transition or an alternative proposed timeline.
- County readiness: An assessment of the readiness of County departments to assume activities currently carried out by KCRHA and consideration of a new County department or entity, including staffing and budget required for transition.
- Compliance with funding requirements: An assessment of necessary actions to ensure continued compliance with state, federal, and other funding requirements during a potential transition.
- Actions for continuity of services: An assessment of other necessary steps to ensure continuation of homelessness response services without reduction in services during a potential transition.
- Financial risks: An assessment of financial risks during a potential transition and proposed actions to prevent disruption of contracted services.
- Potential reforms: Any proposed reforms or changes to KCRHA if the Executive recommends against termination of the ILA.
- Other considerations: An outline of other considerations the Council should take into account, as well as an update on the status of KCRHA's Corrective Action Plan.

The proposed motion notes the Council's intent to consider Proposed Motion 2026-0107, which would provide the County's notice of termination in the ILA, at the August 25, 2026, Committee of the Whole meeting which would follow the transmittal of the report requested in this proposed motion.