



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Great Rivers Behavioral Health Organization

For the period July 1, 2016 through June 30, 2017

Published April 3, 2025

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

April 3, 2025

Board of Directors
Great Rivers Behavioral Health Organization
Chehalis, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Great Rivers Behavioral Health Organization's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the Organization's financial activities and condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Great Rivers Behavioral Health Organization July 1, 2016 through June 30, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Great Rivers Behavioral Health Organization are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the Organization’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Organization.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We issued an adverse opinion on the Organization’s compliance with requirements applicable to its major federal program.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The Organization did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2017-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2017-002.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Great Rivers Behavioral Health Organization July 1, 2016 through June 30, 2017

2017-001 The Organization's internal controls over financial statement preparation were inadequate to ensure accurate and complete reporting.

Background

Great Rivers Behavioral Health Organization registered with the Office of the Secretary of State as a new government entity on April 1, 2016. The State Auditor's Office has therefore been required to audit the Organization since it became an entity in 2016.

State and federal agencies, the Board of Directors and the public rely on the information included in the financial statements and reports to make decisions. Management is responsible for designing and following internal controls that provide reasonable assurance its financial reporting is reliable and the financial statements and notes to the financial statements are accurate.

The Organization prepares its financial statements in accordance with the cash-basis accounting method prescribed in the State Auditor's Office's *Budgeting, Accounting and Reporting System* (BARS) Manual.

State law requires every local government to file annual financial reports with our office within 150 days of the end of each fiscal year. As part of the report, all local governments that spend federal funds must prepare a Schedule of Expenditures of Federal Awards (SEFA). Local governments that spend \$750,000 or more in federal funds must receive a federal single audit.

Our audit found deficiencies in internal controls over accounting and financial reporting that affected the Organization's ability to produce reliable financial statements. *Government Auditing Standards* requires the State Auditor's Office to communicate material weaknesses as a finding.

Description of Condition

We found the following deficiencies in internal controls that represent a material weakness:

- The Organization did not have internal controls in place to submit the required annual reports, including the SEFA, to our Office within 150 days after fiscal year-end.
- The Organization's internal controls were not adequate to ensure it prepared accurate financial statements.
- The Organization's internal controls were not sufficient to ensure it performed a thorough and meaningful secondary review of the annual report before submitting it for audit.

Cause of Condition

The Organization experienced significant turnover in key accounting and finance positions over the past several years. As a result, staff members were unable to dedicate sufficient time and resources to ensure on-time and accurate filing of financial reports. Additionally, due to this turnover, no staff members were available to perform a thorough and meaningful secondary review when the Organization filed the annual reports.

Effect of Condition

The Organization filed its 2017 annual report 1,288 days late. Delays in the availability of complete financial reports prevent Organization officials, the public and other interested parties from obtaining timely information. Additionally, the Organization did not obtain a federal grant compliance audit and submit the resulting audit report to the federal government by the federal audit deadline, which could jeopardize future federal funding.

Additionally, our audit found the following errors. The Organization:

- Incorrectly reported expenditures on the SEFA, which resulted in one program being overstated by \$769,751 and the other being understated by \$735,124. Inaccurate reporting of federal expenditures affected the major program audited under federal grant compliance requirements.

- Did not submit the required Statement of Fiduciary Fund Resources and Uses Arising from Cash Transactions even though the Organization has a fiduciary fund. This fund had the following activity during the period related to the Organization's flexible spending arrangements: revenues of \$10,404, expenditures of \$10,138 and ending cash of \$266.
- Did not submit the required Schedule of Liabilities, which resulted in the Organization not reporting its compensated absences liability of \$153,786 and net pension liability of \$1,807,486

We also identified several errors in the notes to the financial statements that we communicated to management during the audit. The Organization corrected most of the errors in the financial statements as a result of our audit.

Recommendation

We recommend the Organization:

- Establish internal controls to ensure on-time, accurate and complete financial reporting in accordance with state law
- Dedicate adequate staff time and resources to perform comprehensive reconciliations and reviews to ensure that statements are accurate and fairly presented in accordance with the BARS Manual

Organization's Response

In 2015/2016 HCA ordered the redirection of the then existing Regional Support Networks into Behavioral Health Organizations. In our situation that directive required the restructuring of our service area and the addition of counties in a new interlocal agreement. This restructure included involving Attorney's from Lewis, Cowlitz, Grays Harbor, Pacific and Wahkiakum Counties. That was a lengthy and complex process that in turn caused some confusion with the SAO as to which entity was to be audited (county or separate entity).

Subsequent statutory changes eliminated this organizational structure (Behavior Health Organizations) on 12/31/2019 which created the substantial issue of filing of these reports as all employees were redirected to other positions within other organizations along with institutional knowledge.

These unique circumstances are what contributed to the three issues noted as "Effect of Condition" in the Schedule of Audit Findings. We acknowledge that the schedule of Federal Funds had a by line reporting error, however the total of the schedule was reported accurately. This error was found by us and reported at the

beginning of the audit. The reported condition of incorrectly reporting of Fiduciary Fund Resources was reported exactly as it had been in the prior RSN environment.

We acknowledge your conditions and with the directives above and given that we are no longer in business, there is no reasonable corrective action. This organization no longer exists.

Auditor's Remarks

We thank the Organization for its cooperation and assistance during the audit.

Applicable Laws and Regulations

Government Auditing Standards, July 2018 Revision paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

RCW 43.09.200, Local government accounting – Uniform system of accounting, requires the State Auditor to prescribe the system of accounting and reporting for all local governments.

Budgeting, Accounting and Reporting System (BARS) Manual, 3.1.3, Internal Control, required each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objective.

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), section 501, Audit requirements

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Great Rivers Behavioral Health Organization July 1, 2016 through June 30, 2017

2017-002 The Organization had inadequate internal controls for ensuring compliance with suspension and debarment and subrecipient monitoring requirements.

Assistance Listing Number and Title:	93.959 Block Grants to Prevention and Treatment of Substance Abuse
Federal Grantor Name:	U.S. Department of Health and Human Services
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	Washington State Department of Social and Health Services
Pass-through Award/Contract Number:	1669-58046
Known Questioned Cost Amount:	\$0
Prior Year Audit Finding:	N/A

Description of Condition

The Substance Abuse Prevention and Treatment Block Grant (SABG) program awards funds to states, territories and one Indian tribe for planning, implementing and evaluating activities that prevent and treat substance abuse. During fiscal year 2017, the Organization spent \$890,478 in SABG funds. The Organization passed through all of these funds to eight subrecipients.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

Suspension and Debarment

Federal requirements prohibit recipients from contracting with or making subawards to parties suspended or debarred from doing business with the federal government. When the Organization enters into contracts or purchases goods or services that it expects to equal or exceed \$25,000, for all subawards regardless of award amount, paid all or in part with federal funds, it must verify the contractors and subrecipients are not suspended or debarred or otherwise excluded from participating in federal programs. The Organization may verify this by obtaining a written certification from the contractor or subrecipient, adding a clause or condition into the contract that states the contractor or subrecipient is not suspended or debarred, or checking for exclusion records in the U.S. General Services Administration's System for Award Management at SAM.gov. The Organization must verify this before entering into the contract and before making subawards, and must maintain documentation demonstrating compliance with this federal requirement.

Our audit found the Organization did not have adequate controls to verify that all eight subrecipients were not suspended or debarred from participating in federal programs.

We consider this deficiency in internal controls to be a material weakness that led to material noncompliance.

Subrecipient Monitoring

When the Organization passes on federal funds to subrecipients, federal regulations require it to ensure every subaward agreement clearly identifies that it is a federal award and includes the applicable federal requirements. Federal regulations require the Organization to include 14 federal award identification elements in each subaward agreement. Further, the Organization is required to evaluate every subrecipient's risk of noncompliance with federal requirements to determine the appropriate level of subrecipient monitoring. Subrecipient monitoring requirements include ensuring compliance with program requirements, ensuring the subrecipient receives a federal single audit when required, following up and ensuring the subrecipient takes timely and appropriate action on all audit findings, and issuing a management decision as required.

The Organization did not have internal controls for ensuring compliance with subrecipient monitoring requirements. Specifically, the Organization did not have adequate controls for ensuring subaward agreements included the required award identification elements, and for ensuring it completed and documented the required risk assessments. Further, the Organization did not monitor subrecipients' activities to provide reasonable assurance they administered the subawards in compliance with the subaward's terms and conditions.

We consider this deficiency in internal controls to be a material weakness that led to material noncompliance.

Cause of Condition

The Organization experienced turnover in its staff responsible for managing the program. As a result, current staff were unaware if the Organization met these compliance requirements and were unable to find supporting documentation to demonstrate compliance with these requirements.

Effect of Condition

Suspension and Debarment

The Organization did not obtain written certifications, insert clauses into the contracts or check SAM.gov before entering into the contracts to verify the subrecipients were not suspended or debarred.

Without this verification, the Organization increases its risk of providing federal funds to subrecipients that are excluded from participating in federal programs. Any payments it makes to an ineligible party would be unallowable, and the federal grantor could potentially recover them.

We subsequently verified the subrecipients were not suspended or debarred, therefore we are not questioning costs.

Subrecipient Monitoring

We tested all eight subawards and found the Organization's subaward agreements did not include all the required contract elements, such as the federal award identification number, Assistance Listing Number, unique entity identifier, federal award date, indirect cost rate and program requirements. Without this information, subrecipients are less likely to know the award is federally funded. This also increases the risk that subrecipients would not know they need to comply with specific program requirements, which could potentially lead them to spend funds for unallowable purposes.

The Organization also did not have evidence that it performed risk assessments for the subrecipients tested. Not performing risk assessments increases the risk that the Organization will not perform the proper level of monitoring for its subrecipients.

Additionally, the Organization did not monitor subrecipients' activities to provide reasonable assurance they administered the subawards in compliance with the subaward's terms and conditions. Without adequate monitoring, there is a risk that subrecipients may spend funds for unallowable purposes.

Since the Organization could not demonstrate that it monitored its subrecipients, there is no way for it to confirm that the subrecipients complied with program requirements, including providing services to eligible participants.

Recommendation

We recommend the Organization establish and maintain internal controls to:

- Verify all subrecipients it pays, all or in part with federal funds, are not suspended or debarred from participating in federal programs before making subawards
- Include all required elements and program requirements in subaward agreements
- Perform and document the required risk assessment sufficiently for management to evaluate the results and monitor subrecipients accordingly
- Adequately monitor subrecipients to ensure they comply with the subaward's terms and conditions and only provide funds to eligible participants

Organization's Response

We know that our contracts always included all of the appropriate HCA mandated language regarding debarment, suspension and sub recipient monitoring required. To the best of our knowledge, our Contract Compliance Officer reviewed compliance of all contracts. The recent audit findings do reference that we did not contract with suspended and debarred entities. Due to the closing of the business and subsequent releasing of all employees, records of the particular compliance activities could not be located. We have no corrective action plans because all Behavioral Health Organizations were abolished by state statute, Chapter 325, Washington Laws of 2019, which removed Behavioral Health Organizations from the law effective January 1, 2020. Great Rivers Behavioral Health Organization closed business effective December 31, 2019.

Auditor's Remarks

We thank the Organization for its cooperation and assistance during the audit.

Applicable Laws and Regulations

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 180, OMB *Guidelines on Agencies on Governmentwide Department and Suspension (Nonprocurement)*, establishes nonprocurement debarment and suspension regulations implementing Executive Orders 12549 and 12689

Title 45 CFR Part 75, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards, section 352, Requirements for pass-through entities, establishes subrecipient monitoring regulations.

INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Great Rivers Behavioral Health Organization July 1, 2016 through June 30, 2017

Board of Directors
Great Rivers Behavioral Health Organization
Chehalis, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Great Rivers Behavioral Health Organization, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Organization's financial statements, and have issued our report thereon dated March 24, 2025.

We issued an unmodified opinion on the fair presentation of the Organization's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the Organization using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2017-001, that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

ORGANIZATION'S RESPONSE TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

March 24, 2025

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Great Rivers Behavioral Health Organization July 1, 2016 through June 30, 2017

Board of Directors
Great Rivers Behavioral Health Organization
Chehalis, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Adverse Opinion on 93.959 - Block Grants for Prevention and Treatment of Substance Abuse

We have audited the compliance of the Great Rivers Behavioral Health Organization, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2017. The Organization's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, because of the significance of the matter described below, the Organization did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on 93.959 - Block Grants for Prevention and Treatment of Substance Abuse for the year ended June 30, 2017.

Basis for Adverse Opinion on 93.959 - Block Grants for Prevention and Treatment of Substance Abuse

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Matter Giving Rise to Adverse Opinion on 93.959 - Block Grants for Prevention and Treatment of Substance Abuse

As described in the accompanying Schedule of Findings and Questioned Costs and Finding 2017 002, the Organization did not comply with requirements regarding 93.959 Block Grants to Prevention and Treatment of Substance Abuse for Subrecipient Monitoring.

Compliance with such requirements is necessary, in our opinion, for the Organization to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.


However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2017-002, that we consider to be a material weakness.

Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

March 24, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Great Rivers Behavioral Health Organization July 1, 2016 through June 30, 2017

Board of Directors
Great Rivers Behavioral Health Organization
Chehalis, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the Great Rivers Behavioral Health Organization, as of and for the year ended June 30, 2017, and the related notes to the financial statements, as listed in the financial section of our report.

Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the Organization has prepared these financial statements to meet the financial reporting requirements of state law and accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the Great Rivers Behavioral Health Organization, and its changes in cash and investments, for the year ended June 30, 2017, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Great Rivers Behavioral Health Organization, as of June 30, 2017, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

Matter Giving Rise to Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the financial statements are prepared by the Organization in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the BARS Manual described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Organization's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule

of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2025 on our consideration of the Organization's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

March 24, 2025

FINANCIAL SECTION

Great Rivers Behavioral Health Organization July 1, 2016 through June 30, 2017

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2017
Notes to Financial Statements – 2017

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2017
Schedule of Expenditures of Federal Awards – 2017
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Great Rivers Behavioral Health Organization
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended June 30, 2017

Beginning Cash and Investments

30810	Reserved	31,833,572
30880	Unreserved	5,277,573
388 / 588	Net Adjustments	-

Revenues

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	64,208,948
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	218,965
Total Revenues:		<u>64,427,913</u>

Expenditures

510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural and Economic Environment	-
560	Social Services	55,229,664
570	Culture and Recreation	-
Total Expenditures:		<u>55,229,664</u>
Excess (Deficiency) Revenues over Expenditures:		<u>9,198,249</u>

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	10,404
381, 382, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		<u>10,404</u>

Other Decreases in Fund Resources

594-595	Capital Expenditures	141,169
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	10,138
581, 582	Other Uses	-
Total Other Decreases in Fund Resources:		<u>151,307</u>

Increase (Decrease) in Cash and Investments: **9,057,346**

Ending Cash and Investments

5081000	Reserved	36,414,938
5088000	Unreserved	9,753,553
Total Ending Cash and Investments		46,168,491

GREAT RIVERS BEHAVIORAL HEALTH ORGANIZATION
NOTE TO FINANCIAL STATEMENTS
JULY 1, 2016 TO JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Great Rivers Behavioral Health Organization (GRBHO) reports financial activity using the revenue and expenditures classifications, statements and schedules contained in the Cash Basis Budgeting, Accounting and Reporting (BARS) manual and Supplementary Instructions published by the Department of Social and Health Services for Mental Health Programs. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

Great Rivers Behavioral Health Organization was created pursuant to an Interlocal Agreement ("the ILA") made and entered into on September 28, 2015, by and between Cowlitz, Grays Harbor, Wahkiakum, Pacific, and Lewis Counties. Great Rivers Behavioral Health Organization was created to carry out the responsibilities of a behavioral health organization as defined in RCW 71.24.045. Under the ILA, full implementation of all behavioral health organization functions started on April 1, 2016. On March 12, 2019, Cowlitz, Grays Harbor, Wahkiakum, Pacific, and Lewis Counties approved Amendment No. 1 to the Great Rivers Behavioral Health Organization Agreement, the effect of which was to convert Great Rivers Behavioral Health Organization to a Limited Liability Company under Chapter 25.15 RCW and in accord with the provisions of RCW 39.34.030(3)(b), to be known as "Great Rivers Behavioral Health Organization, LLC" ("Amendment No.1). Amendment No. 1 also adopted the Operating Agreement for Great Rivers Behavioral Health Organization, LLC. Pursuant to Chapter 325, Washington Laws of 2019, effective January 1, 2020, the State of Washington adopted and integrated health care financing model and shifted most of the behavioral health care funding mechanisms to Managed Care Organizations (MCOs). The contracts between the Health Care Authority and Great Rivers BHO, LLC, terminated effective December 31, 2019, and those contracts were closed out during a "closeout period" extending from January 1, 2020, through June 30, 2020. Great Rivers BHO, LLC, continues to perform behavioral health related functions. Great Rivers BHO, LLC, continues in business as a Washington State Limited Liability Company in good standing with the Corporations Division of the Washington State Secretary of State.

GRBHO first had financial activity in April of 2016. Great Rivers Behavioral Health Organization uses single-entry, cash basis accounting which is a departure from general accepted accounting principles (GAAP)

a. Basis of Presentation – Fund Accounting

The accounts of Great Rivers Behavioral Health Organization are organized on the basis of Governmental Funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. Great Rivers Behavioral Health Organization principally utilizes the General (Current Expense) Fund. It accounts for all financial resources except those required or elected to be accounted for in another fund. One other fund is used. It is a Fiduciary fund which is an account for assets held by GRBHO as an agent on behalf of employees for Section 125 cafeteria flexible spending plan.

b. Basis of Accounting

Great Rivers Behavioral Health Organization (GRBHO) basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid,

including those properly chargeable against the report year(s) budget appropriations as required by state law. In accordance with state law GRBHO also recognizes expenditures paid up to twenty days after the close of the fiscal year for claims incurred during the previous period. Purchases of capital assets are expensed during the year acquired. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased. The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

c. Budgets

Annual or biennial appropriated budgets are adopted on or before July 1, of each reporting period by the GRBHO Governing Board. The budget constitutes the legal authority for expenditures at that level. Biennial appropriations for these funds lapse at the fiscal year-end.

Budgetary accounts are integrated in fund journal and ledgers as appropriate for all funds. The financial statements include budgetary comparisons. Revenue and expenditure ledgers are used to compare the budgeted amounts against the actual revenues and expenditures as they occur. The budgets constitute the legal authority for expenditures at the fund level as a whole. Biennial appropriated budgets are adopted on the same basis of accounting as used for financial reporting. The appropriated revenue and actual expenditures for the legally adopted budgets were as follow:

BARS CODE		12 Month Budget 07/01/16 - 06/30/17	Fund Number and Name 001 Current Expense	
				07/01/16 - 06/30/17 Actuals
	Beginning Net Cash and Investments	37,111,145		37,111,145
	Sect 125 Beginning Balance			
	Revenues and Other Sources			
330	Intergovernmental	62,716,872		64,208,948
360	Miscellaneous	121,097		218,965
	Total Revenues and Other Sources	62,837,969		64,427,913
	Total Resources	99,949,114		101,539,058
	Operating Expenditures:			
560	Mental and Physical Health	55,788,516		55,229,664
570	Culture and Recreational			
	Total Operating Expenditures	55,788,516		55,229,664
	Excess (Deficit) of Resources Over Uses	44,160,598		46,309,394
380	Nonrevenues (Except 384)			10,404
580	Nonexpenditures (Except 584)			10,138
590	Capital Expenditures			141,169
	Ending Net Cash and Investments	44,160,598		46,168,491

The GRBHO CEO is authorized to change the budget, transfer budgeted amounts between object classes; however, any revision that alter the total expenditures of a fund, or that affect appropriation units of salaries and wages, personnel benefits or capital outlay as well as revisions that create new salaried positions, revisions that establish new programs, revisions that delete ongoing programs, revisions that alter the total expenditures of the budget must be approved by the Great Rivers Behavioral Health Organization Governing Board. GRBHO's contracts with DSHS require that Risk and Inpatient Reserves are set aside and maintained in the event costs providing mental health services exceed revenues. The levels of reserves are dictated by a contractual stipulated percent of prorated or budgeted annual revenues and therefore change per reporting period. In addition to the Reserves Funds above, the contract allows for Encumbered Reserves as well as Operating Reserves.

Intergovernmental Fee for Service represents DSHS Medicaid client payments. The actual amount was higher than budgeted as a result of larger numbers of Medicaid Enrolled clients coming into the system as a result of the poor economy and cuts to state funding which incentivized Non-Medicaid Clients to enroll in the Medicaid system as part of federal Healthcare Reform and the state Medicaid Expansion Program.

Decreases in Expenditures are largely due to DSHS related issues when billing for hospital expenses incurred by GRBHO clients but not billed and delayed special project implementation.

d. **Cash**

It is the policy of Great Rivers Behavioral Health Organization to invest all reasonable temporary cash surpluses. The amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. GRBHO utilizes Lewis County Treasurer to invest cash surpluses.

e. **Deposits**

Great River Behavioral Health Organization utilizes Lewis County Treasurer to deposit funds. The county maintains deposit relationships with local commercial banks and savings and loan banks. Lewis County Treasury deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation (FDIC) and/or The Washington Public Deposit Protection Commission.

f. **Investments**

The Lewis County Treasurer is the custodian for all GRBHO investments. All deposits and investments of GRBHO funds are obligations of the U.S. Government, the State Treasurer's Investment Pool, or deposits with Washington State banks and savings and loan institutions pursuant to the requirements of Washington State banks and savings and loan institutions pursuant to the requirements of Washington State law and Chapter 39.58 RCW (Please See Note #3).

g. **Derivatives and Similar Transactions**

GRBHO has not used, held or sold derivatives or similar instruments.

h. **Capital Assets**

Capital assets are long-lived assets of GRBHO and are recorded as expenditures when purchased.

j. **Compensated Absences**

Personal Time Off (PTO) is accrued and represents both vacation and sick time. The maximum accumulation at any time is two times the accrual rate. Employees begin accruing 16.66 hours per month and this increases based on years of service.

Accumulated PTO is payable based on years of service upon separation, appointment to an elected position or retirement.

j. **Long-Term Debt -**

GRBHO does not have any long-term debt.

k. **Other Financing Sources or Uses**

Other Financing Sources represent amounts from interest earnings and contributions to Section 125 plan.

l. **Risk Management**

Great Rivers Behavioral Health Organization (GRBHO) has purchased commercial coverage and become a member of Enduris Washington for Comprehensive General Liability. Limits include General Liability - \$10,000,000, Professional Coverage - \$10,000,000, and Personal Injury - \$10,000,000.

Financial Note to Enduris Member Financial Statements

GRBHO is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2017, there are 540 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

- \$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss.
- Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the deductibles as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

m. Reserved Fund Balance

GRBHO's contracts with DSHS require that Risk and Inpatient Reserves are set aside and maintained in the event costs providing mental health services exceed revenues. The levels of reserves are dictated by a contractual stipulated percent of prorated or budgeted annual revenues and therefore change per reporting period. In addition, DSHS contract allows GRBHO a limited amount of Encumbered Reserves and Operating Reserves, where appropriate, which are used to supplement revenues in meeting budgeted expenditures. Encumbered Funds ending June 30, 2017, are a result of GRBHO client hospital costs not billed by DSHS.

Reserve Balances	<i>Reserve Balance as of June 31, 2017</i>
Restricted Reserves	
Risk & Inpatient Reserves	\$ 10,323,050
Reserve for Encumbrances	26,057,622
Capital Reserve	34,000
Total Restricted Reserve Balances	\$36,414,672
Section 125/Revolving	266
Total Resources	\$36,414,938

Amounts of Total Resources as of June 31, 2017 may not equal those amounts from treasury and bank account due to checks submitted to Treasury not included in Treasury Report. Management believes that such reconciled amounts, if any, will be immaterial.

NOTE 2 – DEPOSITS & INVESTMENTS

GRBHO cash and investments are:

	June 30, 2016	June 30, 2017
Total cash, equivalents & investments	\$ 37,111,145	\$ 46,168,491

Statutes authorize Lewis County, acting as an agent of the GRBHO, to invest in obligations of the U. S. Treasury and its instrumentalities, banker's acceptances issued in the secondary market, primary certificates of deposit issued by Washington State qualified public depositories as defined under Chapter 39.58 of the Revised Code of Washington and the State Treasurers investment pool.

NOTE 3 – PENSION PLANS

Substantially all GRBHO's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the PERS II or PERS III plans. These plans are administered by the Washington State Department of Retirement Systems, under a cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to GRBHO's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by the plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

Also, the DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2018 (the measurement date of the plans), GRBHO's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities 09 was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$117,998	.0019616%	\$930,795
PERS 2/3	\$154,114	.0025232%	\$876,691

NOTE 4 - LITIGATION

Dismissal of lawsuit. Cascade Evaluation and Treatment Center, LLC, a Washington Limited Liability Company v. Great Rivers Behavioral Health Organization, a Washington Limited Liability Company, Lewis County Superior Court Cause No. 20-2-00250-21. This lawsuit was filed in Lewis County Superior Court on March 6, 2020. Cascade Evaluation and Treatment Center, LLC, (hereinafter "Cascade") asserted that Great Rivers BHO (hereinafter "Great Rivers") owed it certain "startup funds" related to Cascade's construction of an evaluation and treatment center.

A dispute arose between the parties with regard to the amount, if any, that Great Rivers owed to Cascade. There were lengthy negotiations between Cascade and Great Rivers regarding this lawsuit. Cascade and Great Rivers ultimately reached a settlement agreement. Great Rivers agreed to pay Cascade the sum of \$397,797.06 from HCA sequestered closeout funds and HCA agreed to the release of those funds to Cascade. An Agreed Order of Dismissal was entered in Lewis County Superior Court on or about the 25th day of April 2022. The Order of Dismissal dismissed "the lawsuit" with prejudice as to all claims and all

parties with each party bearing its own costs and attorney's fees. There is no outstanding liability to Great Rivers regarding this lawsuit.

Great Rivers Behavioral Health Organization
Schedule of Liabilities
For the Year Ended June 30, 2017

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		0	153,786	-	153,786
264.30	Net Pension Liability		0	1,807,486	-	1,807,486
Total Revenue and Other (non G.O.) Debt/Liabilities:			0	\$ 1,961,272	-	\$ 1,961,272
Total Liabilities:			0	\$ 1,961,272	-	\$ 1,961,272

Great Rivers Behavioral Health Organization
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA DSHS)	Block Grants for Community Mental Health Services	93.958	1669-57884	155,534	-	155,534	155,534	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA DSHS)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1669-58046	890,478	-	890,478	890,478	
Total Federal Awards Expended:				1,046,012	-	1,046,012	1,046,012	

Great Rivers Behavioral Health Organization

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as Great Rivers Behavioral Health Organization (GRBHO) financial statements. GRBHO uses the cash basis of accounting.

Note 2 – Federal De Minimis Indirect Cost Rate

The GRBHO has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

Great Rivers Behavioral Health Organization July 1, 2016 through June 30, 2017

This schedule presents the corrective action planned by the Organization for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Finding ref number: 2017-001	Finding caption: The Organization's internal controls over financial statement preparation were inadequate to ensure accurate and complete reporting.
Name, address, and telephone of Organization contact person: Lisa Marsyla, Accounting Manager P.O Box 1447 Chehalis, WA 98532 (360) 795-5983	
Corrective action the auditee plans to take in response to the finding: <i>In 2015/2016 HCA ordered the redirection of the then existing Regional Support Networks into Behavioral Health Organizations. In our situation that directive required the restructuring of our service area and the addition of counties in a new interlocal agreement. This restructure included involving Attorney's from Lewis, Cowlitz, Grays Harbor, Pacific and Wahkiakum Counties.</i> <i>Subsequent statutory changes eliminated this organizational structure (Behavior Health Organizations) on 12/31/2019 which created the substantial issue of filing of these reports and validating the internal controls as all employees were redirected to other positions within other organizations along with institutional knowledge.</i> <i>We acknowledge your finding; however given the detailed explanation above and also given that we are no longer in business, there is no reasonable corrective action. This organization no longer exists.</i>	
Anticipated date to complete the corrective action: N/A since organization no longer exists.	

Finding ref number: 2017-002	Finding caption: The Organization had inadequate internal controls for ensuring compliance with suspension and debarment and sub recipient monitoring requirements.
Name, address, and telephone of Organization contact person: Lisa Marsyla, Accounting Manager P.O Box 1447 Chehalis, WA 98532 (360) 795-5983	
Corrective action the auditee plans to take in response to the finding: <i>We know that our contracts always included all of the appropriate HCA mandated language regarding debarment, suspension and sub recipient monitoring required. To the best of our knowledge, our Contract Compliance Officer reviewed compliance of all contracts. The recent audit findings do reference that we did not contract with suspended and debarred entities. Due to the closing of the business and subsequent releasing of all employees, records of the particular compliance activities could not be located. We have no corrective action plans because all Behavioral Health Organizations were abolished by state statute, Chapter 325, Washington Laws of 2019, which removed Behavioral Health Organizations from the law effective January 1, 2020. Great Rivers Behavioral Health Organization closed business effective December 31, 2019.</i>	
Anticipated date to complete the corrective action: N/A	

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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