



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Thurston Mason Behavioral Health Organization

For the period January 1, 2021 through December 31, 2021

Published July 28, 2025

Report No. 1037743



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

July 28, 2025

Board of Commissioners
Thurston Mason Behavioral Health Organization
Lacey, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Thurston Mason 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 Agency's financial activities and condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Thurston Mason Behavioral Health Organization January 1, 2021 through December 31, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Thurston Mason 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 Agency’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 identified deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

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

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 no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Agency’s compliance with requirements applicable to each of its major federal programs.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
93.958	Block Grants for Community Mental Health Services
93.958	COVID-19 Block Grants for Community Mental Health Services
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.959	COVID-19 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 Agency did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2021-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Thurston Mason Behavioral Health Organization January 1, 2021 through December 31, 2021

2021-001 The Organization did not have adequate internal controls ensuring timely reporting of its financial statements as required by state law.

Background

Federal and State agencies, the Board of Commissioners, and the public rely on the information included in financial statements and reports to make decisions. The Organization is responsible for designing, implementing, and maintaining internal controls that provide reasonable assurance its financial reporting is reliable.

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 (RCW 43.09.230) requires the Organization to submit an annual financial report to our Office within 150 days of the end of its fiscal year. The annual financial report includes summaries of financial information and supporting schedules, such as the Schedule of Expenditures of Federal Awards (SEFA). Under Uniform Guidance, governments that spend \$750,000 or more in federal grant awards in a year are required to obtain a federal single audit. Further, governments must submit audit results to the Federal Audit Clearinghouse within 30 calendar days after issuance of the audit report, or within nine months after the audit period, whichever is earlier.

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

Description of Condition

Our audit found that the Organization lacked adequate controls to ensure they could prepare financial statements timely to comply with state and federal regulations.

The Organization did not submit the required annual reports to our Office within 150 days of fiscal year-end for 2021. The Organization filed its 2021 annual report 851 days late.

We reported this issue as a finding in the four prior audits.

Cause of Condition

The 2017 and 2018 financial statements were the first set of annual reports the Organization was required to submit to our Office. Additionally, the Organization was still in the process of transitioning records that had been maintained under generally accepted accounting principles to the cash-basis accounting method prescribed by the *Budgeting, Accounting and Reporting System* (BARS) Manual. As a result, the Organization did not dedicate adequate time and resources to completing its annual reports, including financial statements, until after the 2021 deadline

Effect of Condition

The Organization did not comply with state law requiring timely submissions of annual financial reports. As a result, the Organization did not obtain a federal grant compliance audit and submit the resulting report to the federal government by the deadline, which could jeopardize future federal funding.

Further, late filings prevent Organization officials, the public, and other interested parties from obtaining timely and transparent financial information. These delays also hinder our Office's efforts to compile statistical and financial information for the Legislature and other parties.

Recommendation

We recommend the Organization establish internal controls to ensure timely financial reporting in accordance with state law.

Agency's Response

Thurston Mason Behavioral Health Organization agrees with finding 2021-001 regarding the Organization's lack of adequate internal controls for ensuring compliance with state law requiring timely annual report submission having submitted the 2021 annual report 851 days late.

We understand and recognize the importance of providing information that is timely and accurate to ensure transparency in government and have put ourselves in a difficult position by becoming so tardy in reporting.

The Organization has continued to put forth time and effort to receive training, conduct planning, prepare, review, and submit annual reports to the State Auditor for reporting years 2022 and 2023 as well as 2024. It is our goal to be in full compliance with reporting timelines for SFY 2025 by the May 29, 2026 filing deadline.

The Organization will schedule time weekly to complete and review each component required for submission of the outstanding annual reports with a target date of submission of May 29, 2026.

The Executive Leadership Team and the Governing Board members for our organization continue to be briefed on the progress and outcome of the audits completed and in process. We appreciate the partnership with the SAO and technical assistance.

Auditor's Remarks

We appreciate the steps the Organization is taking to resolve this issue. We will review the corrective action taken during our next audit.

Applicable Laws and Regulations

RCW 43.09.230, Local government accounting – Annual reports – Comparative statistics.

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.

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

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.

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 302 – Financial Management, requires grantees to identify, in their accounts, all Federal awards received and expended and the Federal programs under which the awards were received.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Thurston Mason Behavioral Health Organization January 1, 2021 through December 31, 2021

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

Audit Period: January 1, 2020 through December 31, 2020	Report Ref. No.: 1034216	Finding Ref. No.: 2020-001	Assistance Listing Number(s): 93.958, 93.959
Federal Program Name and Granting Agency: Block Grants for Community Mental Health Services, Block Grants for Prevention and Treatment of Substance Abuse		Pass-Through Agency Name: Abuse and Mental Health Services Administration, Health and Human Services, Department of (via WAHCA)	
Finding Caption: The Organization's internal controls were inadequate for ensuring compliance with subrecipient monitoring requirements			
Background: The Organization is required to evaluate the subrecipient's risk of noncompliance with federal requirements to determine the appropriate level of subrecipient monitoring. The Organization lacked effective controls for complying with subrecipient monitoring requirements. Specifically, the Organization did not: <ul style="list-style-type: none"> Complete risk assessments or monitor program compliance Verify the subrecipients received single audits, if required Follow up on corrective actions taken for any identified deficiencies related to the federal awards it made to its subrecipients Issue management decisions within six months of audit report issuance for applicable audit findings 			
Status of Corrective Action: (check one) <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"><input checked="" type="checkbox"/> Fully Corrected</div> <div style="text-align: center;"><input type="checkbox"/> Partially Corrected</div> <div style="text-align: center;"><input type="checkbox"/> Not Corrected</div> <div style="text-align: center;"><input type="checkbox"/> Finding is considered no longer valid</div> </div>			
Corrective Action Taken: <i>Thurston-Mason Behavioral Health Organization, LLC completed risk assessments, monitoring to include verification of single audits by subrecipients if required and issued letters with audit findings within 6-months for the 2021 calendar year. Risk assessments and monitoring for the period of January 2020-December 2020 were included to bring monitoring current even though it was after the 2020 SAO audit finding.</i>			

Audit Period: January 1, 2021 through December 31, 2021	Report Ref. No.: 1034217	Finding Ref. No.: 2020-001
Finding Caption: The Organization lacked adequate internal controls for ensuring compliance with state law requiring timely annual report submissions.		
Background: The Organization did not submit the required annual reports to our Office within 150 days of fiscal year-end for 2020. The Organization filed its 2020 annual reports 712 days late. This issue was reported as a finding in the prior three audits.		
Status of Corrective Action: (check one) <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"><input type="checkbox"/> Fully Corrected</div> <div style="text-align: center;"><input type="checkbox"/> Partially Corrected</div> <div style="text-align: center;"><input checked="" type="checkbox"/> Not Corrected</div> <div style="text-align: center;"><input type="checkbox"/> Finding is considered no longer valid</div> </div>		
Corrective Action Taken: <i>Thurston Mason Behavioral Health Organization agrees with finding 2020-001 regarding the Organization's lack of adequate internal controls for ensuring compliance with state law requiring timely annual report submission having submitted the 2019 annual report 686 days late.</i> <i>We understand and recognize the importance of providing information that is timely and accurate to ensure transparency in government and have put ourselves in a difficult position by becoming so tardy in reporting.</i> <i>The Organization has continued to put forth time and effort to receive training, conduct planning, prepare, review, and submit annual reports to the State Auditor for reporting years 2022 and 2023 with a tentative schedule for SAO to audit in October/November of 2025. TMBHO is committed to being in full compliance with reporting years through 2025 by May 29, 2026.</i> <i>The Executive Leadership Team and the Governing Board members for our organization continue to be briefed on the progress and outcome of the audits completed and in process. We appreciate the partnership with the SAO and the technical assistance they have provided.</i>		

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*

Thurston Mason Behavioral Health Organization January 1, 2021 through December 31, 2021

Board of Commissioners
Thurston Mason Behavioral Health Organization
Lacey, 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 Thurston Mason Behavioral Health Organization, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Agency's financial statements, and have issued our report thereon dated July 21, 2025.

We issued an unmodified opinion on the fair presentation of the Agency'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 Agency 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 Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency'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.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2021-001, that we consider to be significant deficiencies.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Agency'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*.

AGENCY'S RESPONSE TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The Agency'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 Agency'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 Agency'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

July 21, 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

Thurston Mason Behavioral Health Organization January 1, 2021 through December 31, 2021

Board of Commissioners
Thurston Mason Behavioral Health Organization
Lacey, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the Thurston Mason 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 Agency's major federal programs for the year ended December 31, 2021. The Agency's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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)* 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 Agency 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Agency's compliance with the compliance requirements referred to above.

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 Agency'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 Agency'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 Agency'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 Agency'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 Agency'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 Agency'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.

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.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.



Pat McCarthy, State Auditor

Olympia, WA

July 21, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Thurston Mason Behavioral Health Organization January 1, 2021 through December 31, 2021

Board of Commissioners
Thurston Mason Behavioral Health Organization
Lacey, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the Thurston Mason Behavioral Health Organization, as of and for the year ended December 31, 2021, 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 Agency 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 Thurston Mason Behavioral Health Organization, and its changes in cash and investments, for the year ended December 31, 2021, 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 Thurston Mason Behavioral Health Organization, as of December 31, 2021, 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 Agency, 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 Agency 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 Agency'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 Agency'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 Agency'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 Agency'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 July 21, 2025 on our consideration of the Agency'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 Agency'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 Agency's internal control over financial reporting and compliance.

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

July 21, 2025

FINANCIAL SECTION

Thurston Mason Behavioral Health Organization January 1, 2021 through December 31, 2021

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2021

Notes to Financial Statements – 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2021

Schedule of Expenditures of Federal Awards – 2021

Notes to the Schedule of Expenditures of Federal Awards – 2021

Thurston Mason Behavioral Health Organization
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

Beginning Cash and Investments

308	Beginning Cash and Investments	11,656,585
388 / 588	Net Adjustments	3,127

Revenues

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	16,466,126
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	3,232,793
Total Revenues:		19,698,919

Expenditures

510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	16,486,567
570	Culture and Recreation	-
Total Expenditures:		16,486,567
Excess (Deficiency) Revenues over Expenditures:		3,212,352

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		-

Other Decreases in Fund Resources

594-595	Capital Expenditures	(24,088)
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		(24,088)

Increase (Decrease) in Cash and Investments: **3,236,440**

Ending Cash and Investments

50821	Nonspendable	-
50831	Restricted	3,604,679
50841	Committed	-
50851	Assigned	-
50891	Unassigned	11,291,472
Total Ending Cash and Investments		14,896,151

The accompanying notes are an integral part of this statement.

Thurston Mason Behavioral Health Organization, LLC
NOTES TO THE FINANCIAL STATEMENTS
For Year End December 31, 2021

Introduction

Thurston Mason Behavioral Health Organization, LLC is a multi-county “quasi-governmental” entity for Thurston and Mason Counties created by the TMBHO Interlocal Agreement executed on September 15, 2015. This agreement is a joint operating agreement between the two Counties to operate as a Behavioral Health Organization for the two-county Regional Service Area for the purpose of administering and providing publicly funded behavioral health services on behalf of state and local government.

Note 1 - Summary of Significant Accounting Policies

The Thurston Mason Behavioral Health Organization was incorporated on October 1, 2017, and operates under the laws of the state of Washington applicable to a county. The Thurston Mason Behavioral Health Organization is a special purpose local government and provides Administrative and Direct Services for State and Medicaid funded behavioral health treatment and crisis intervention for individuals in Mason and Thurston Counties.

Thurston Mason BHO reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor’s Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are presented using classifications that are like the ending balance classification in GAAP.

A. Fund Accounting

Financial transactions of the Thurston Mason BHO are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. Thurston Mason BHOs’ resources are allocated to and accounted for in individual funds depending on their intended purpose. The following fund type is used:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the only operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received, and expenditures are recognized when paid. Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense.

In accordance with state law the Thurston Mason Behavioral Health Organization also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Deposits and Investments

See Note 4- Deposits and Investments

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$7,500 and an estimated useful life of more than 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Paid Time Off leave may be accumulated up to 320 hours. A maximum of 160 hours is payable upon separation or retirement. Payments are recognized as expenditures when paid. Yearend 2021 Compensated Absences Liability is reported on Schedule 9.

F. Long-Term Debt

Thurston Mason BHO has no Long-Term Debt currently.

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by Thurston Mason BHO. When expenditures that meet restrictions are incurred, the Thurston Mason BHO intends to use the most restricted resources first.

As of December 31, 2021, there was \$3,604,679 in restricted funds as required by contracts and proviso funding.

Note 2 - Budget Compliance

Thurston Mason BHO adopts an annual appropriated budget for general funds. This budget is adopted at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end. The annual appropriated budget is adopted on the same basis for accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:	\$17,308,530	\$16,486,567	\$821,963

Budgeted amounts are authorized to be transferred between or within any fund/object classes; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions must be approved by the Thurston Mason BHO Governing Board.

Note 3 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

Thurston Mason BHO qualifies as an essential organization under the Governor's orders and continued to provide all functions and services while adhering to the measures put into place to slow the spread of the virus. We were able to establish the ability to telework for many employees with a rotation of leadership staff in the office to ensure that business was carried out as usual. Direct service staff whose positions required them to be on site or provide services in the community had established protocols for doing so and were compensated at a higher rate of pay during the early stages of the pandemic. Increase expenses for payroll, equipment, telehealth, virtual meeting platforms, PPE and cleaning supplies were incurred, with some costs being ongoing. An estimated \$80,000 of additional expense was incurred from March of 2020 through December 31, 2020. The actual or potential financial and/or operation impact on TMBHO appears to be minimal for reporting year 2021 and was able to be absorbed within allocated resources during the pandemic.

As of May 2023, COVID-19 restrictions had been lifted.

Note 4 – Deposits and Investments

It is Thurston Mason BHOs' policy to invest all temporary cash surpluses. The interest on investments is posted to the General Fund.

Thurston Mason BHOs' deposits and certificate of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered, or held by Thurston County in Thurston Mason BHOs' name.

Investments are reported at original cost. The total invested in the Thurston County Investment Pool as of December 31, 2021, was \$14,896,151.

All Deposits & Investments December 31, 2021	
TCIP	\$14,896,151
Total Deposits & Investments	\$14,896,151

In accordance with State law, the district's governing body has entered into a formal agreement with the district's *ex officio* treasurer, Thurston County, to have all its funds not required for immediate expenditure to be invested in the Thurston County Investment Pool (TCIP).

As of December 31, 2021, the district had the following Investments:

Name of County Investment Pool

Thurston County Investment Pool

Fair Value Multiplier (1)

.992695

Weighted Average Maturity

2.13 years

- (1) A TCIP participant can calculate the fair value of its investments in the TCIP by taking the multiplier supplied by Thurston County for the end of the fiscal year and multiplying this number times the amount of cash that the participant had in the TCIP. For example, if a participant had \$1,000,000 in cash invested in the TCIP, the fair value of its investments in the TCIP on August 31, 2021, would be calculated by taking \$1,000,000 times .992695 or \$992,695.

The BHO is a participant in the Thurston County Investment Pool (TCIP), an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather; oversight is

provided by the County Finance Committee in accordance with RCW 36.48.070. Investments in the TCIP are reported at fair value, which, as of 12/31/2021, is reporting at an unrealized loss from book value of 0.7305%. The TCIP does not impose any restrictions on participant withdrawals. The fair value of Thurston Mason BHOs' investment as of December 31, 2021, was \$14,787,335.

Note 5 – Financial Condition

Thurston Mason BHO serves at the pleasure of the state, federal and local governments who provide funding through the Washington Health Care Authority and local grant funds. Our role is to coordinate services and provide direct services for individuals in our two-county region who present with behavioral health needs. The BHO closed out operations under The Health Care Authority (HCA) at the direction of the state in mid-2020. Medicaid funds administered through the HCA were contracted to Managed Care Organizations to administer starting January 1, 2020. Thurston Mason BHO fulfilled its obligations under the HCA contracts for non-Medicaid funded services for 2019 by mid-2020. HCA issued contracts to Thurston Mason BHO to operate as an Administrative Service Organization (ASO) for the same two-county region on January 1, 2020, and continues to do so.

The BHO does not foresee any issues meeting its obligations as an ASO or as a direct service provider.

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all Thurston Mason BHOs' full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans.

The State Legislature establishes, and amends laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit

P.O. Box 48380
Olympia, WA 98540-8380

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

On June 30, 2021, (the measurement date of the retirement plans), Thurston Mason BHOs' proportionate share of the collective net pension liabilities as reported on the Schedule 09, was as follows:

PLAN	Employer Contributions	Allocation %	Liability
PERS 1	\$238,415	.032007%	\$390,880
PERS 2/3	\$389,823	.041152%	\$0

The total net pension liability for the period ending June 30, 2021, is \$390,880.

Note 7 – OPEB Plans

Thurston Mason BHO is a participating employer in the state's Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The plan provides OPEB benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. Thurston Mason BHO had 70 active plan members and 0 retired plan members as of December 31, 2021. As of December 31, 2021, Thurston Mason BHO's total OPEB liability was \$1,762,417, and the expense was \$229,930, as calculated using the alternative measurement method.

Note 8– Risk Management

Organizational Liability Insurance January 1, 2021 through September 30, 2021

Thurston Mason BHO purchased private commercial insurance through multiple insurers. Limits are listed for the following liability risks:

Commercial General Liability	
Each Occurrence	\$1,000,000
Damage to Rented Premises	\$50,000
Personal Property Coverage (any one person)	\$5,000
General Aggregate	\$3,000,000
Products-Comp/OP AGG	\$3,000,000
Crime	\$500,000

WA Stop Gap	\$1M/\$1M/\$1M
Cyber	\$3,000,000
Automobile Liability	\$1,000,000
Professional Liability	\$1M each claim/\$3M Aggregate
9	\$2,000,000
Employment Practices Liability	\$2,000,000

Health and Welfare Insurance-

Thurston Mason BHO offers employee medical coverage through the Washington State Public Employees Benefit Board Program using a cost share model that is primarily employer paid with the employee portion of the contribution determined by which plan the employee selects. Vision, Dental, Voluntary Life and Disability are purchased through the Washington Counties Insurance Fund.

Unemployment Compensation and Labor and Industries-

Unemployment taxes are paid to the Employment Security Department to cover any obligations for unemployment compensation. Premiums are paid to the Washington State Department of Labor and Industries to cover any workers compensation obligations.

Note 9 - Other Disclosures

Thurston Mason BHO was formed by an interlocal-agreement pursuant to RCW 71.24.30 and operates as the Thurston Mason Behavioral Health Administrative Service Organization for the Thurston/Mason two-county Regional Services Area (RSA) effective January 1, 2020.

Administrative Service Organizations were created by legislative action to administer the integrated behavioral health system in Washington State for Non-Medicaid funded services, redirecting the previously contracted Medicaid funds that flowed through the BHO's to Medicaid Managed Care Organization operating in our state.

The ASO's primary revenue is from State funds directly contracted through The Health Care Authority with secondary revenue being Medicaid funding specifically from the Managed Care Organization in our region to administer crisis services.

This legislative change had a significant impact on the overall revenue and expenditures of the organization that can be seen in the ending balances on the financial statements from 2019 to 2020.

For financial statement reporting purposes the BHO and ASO will be the same reporting entity as the Thurston Mason BHO, LLC.

Note 10 – Subsequent Events

The Organization discovered a payroll taxing issue in October 2024 in which Social Security and Medicare taxes were not being calculated off the employee contribution amount of their pension. This will have a financial impact; however, the Organization will be able to use unrestricted funds to pay the employer portion of the tax liability when corrected. Our organization must also pay the employee portion when submitting the corrected tax filings with the IRS and has a plan in place for recoupment of the overpaid wages to current employees and is currently working with an outside accounting firm and attorney to notify and recoup funds from terminated employees for 2024, 2023 and 2022. The total tax liability with a potential 25% maximum interest and penalty from the IRS is estimated at \$287,000. While this is a significant amount this does not put the organization in jeopardy of meeting all current and projected financial obligations.

Thurston Mason Behavioral Health Organization
Schedule of Liabilities
For the Year Ended December 31, 2021

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		301,652	71,316	-	372,968
264.30	Pension Liabilities		1,738,125	-	1,347,245	390,880
264.40	OPEB Liabilities		2,076,507	-	314,090	1,762,417
Total Revenue and Other (non G.O.) Debt/Liabilities:			4,116,284	71,316	1,661,335	2,526,265
Total Liabilities:			4,116,284	71,316	1,661,335	2,526,265

**Thurston Mason Behavioral Health Organization
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WAHCA)	Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	93.665	K4761	226,000	-	226,000	78,122	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WAHCA)	Block Grants for Community Mental Health Services	93.958	K4953	522,455	-	522,455	213,331	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WAHCA)	Block Grants for Community Mental Health Services	93.958	K4574	196,200	-	196,200	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WAHCA)	Block Grants for Community Mental Health Services	93.958	K4953	152,304	-	152,304	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WAHCA)	Block Grants for Community Mental Health Services	93.958	K4764	105,915	-	105,915	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WCHCA)	COVID 19 - Block Grants for Community Mental Health Services	93.958	K4953	15,377	-	15,377	-	

The accompanying notes are an integral part of this schedule.

Thurston Mason Behavioral Health Organization
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WAHCA)	COVID 19 - Block Grants for Community Mental Health Services	93.958	K4953	10,000	-	10,000	10,000	
		Total ALN 93.958:			-	1,002,251	223,331	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WAHCA)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	K4953	811,383	-	811,383	245,424	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WAHCA)	COVID 19 - Block Grants for Prevention and Treatment of Substance Abuse	93.959	K4953	15,377	-	15,377	-	
		Total ALN 93.959:			-	826,760	245,424	
		Total Federal Awards Expended:			-	2,055,011	546,877	

The accompanying notes are an integral part of this schedule.

**Thurston Mason Behavioral Health Organization Notes to the Schedule of Expenditures of
Federal Awards
For the Year Ended December 31, 2021**

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the Thurston Mason Behavioral Health Organization financial statements. Thurston Mason BHO uses the cash basis of accounting for government funds.

Note 2 – Federal De Minimis Indirect Cost Rate

Thurston Mason BHO has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. No admin is taken from these funds.

Note 3 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including Thurston Mason BHOs' portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

Thurston Mason Behavioral Health Organization January 1, 2021 through December 31, 2021

This schedule presents the corrective action planned by the Agency 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: 2021-001	Finding caption: The Organization lacked adequate internal controls for ensuring compliance with state law requiring timely annual report submissions.
Name, address, and telephone of Agency contact person: Tara Smith, CFO 670 Woodland Square Loop SE, Suite 301 Lacey, WA 98503 (360) 763-5809	
Corrective action the auditee plans to take in response to the finding: <i>Thurston Mason Behavioral Health Organization agrees with finding 2021-001 regarding the Organization's lack of adequate internal controls for ensuring compliance with state law requiring timely annual report submission having submitted the 2021 annual report 851 days late.</i> <i>We understand and recognize the importance of providing information that is timely and accurate to ensure transparency in government and have put ourselves in a difficult position by becoming so tardy in reporting.</i> <i>The Organization has continued to put forth time and effort to receive training, conduct planning, prepare, review, and submit annual reports to the State Auditor for reporting years 2022 and 2023 as well as 2024. It is our goal to be in full compliance with reporting timelines for SFY 2025 by the May 29, 2026 filing deadline.</i> <i>The Organization will schedule time weekly to complete and review each component required for submission of the outstanding annual reports with a target date of submission of May 29, 2026. The Executive Leadership Team and the Governing Board members for our organization continue to be briefed on the progress and outcome of the audits completed and in process. We appreciate the partnership with the SAO and technical assistance.</i>	
Anticipated date to complete the corrective action: May 29, 2026	

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