

AUDIT COMMENTS AND FEDERAL GRANT PROGRAMS SECTION

AUDIT COMMENTS

- Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance with *Oregon Minimum Auditing Standards*

FEDERAL GRANT PROGRAMS

- Report of Independent Auditors 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*
- Report of Independent Auditors on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with *OMB Circular A-133*
- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Schedule of Findings and Questioned Costs
- Management's Views and Corrective Action Plan to Current Year Audit Findings and Questioned Costs

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND
 ON INTERNAL CONTROL OVER FINANCIAL REPORTING
 BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
 ACCORDANCE WITH OREGON MINIMUM AUDIT STANDARDS**

Board of Commissioners
 Multnomah County, Oregon

We have audited the basic financial statements of Multnomah County (“the County”) as of and for the year ended June 30, 2012 and have issued our report thereon dated November 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the County’s basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The use of approved depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption and execution of the annual budgets for fiscal years 2012 and 2013.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The requirements pertaining to the use of revenue from taxes on motor vehicle use fuel funds.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

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 test disclosed one instance of noncompliance that is required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. The County experienced a budgetary over-expenditure in the Behavioral Health Managed Care Fund which is disclosed in the notes to the financial statements.

MOSS ADAMS_{LLP}**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiency in internal control over financial reporting as item 2012-01. 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.

This report is intended solely for the information of the County Commissioners, management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



For Moss Adams LLP
Eugene, Oregon
November 16, 2012

REPORT OF INDEPENDENT AUDITORS 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*

The Board of County Commissioners
Multnomah County, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the respective budgetary comparisons for the General Fund, the Federal, State Program Fund, and the Library Fund of Multnomah County, Oregon (the County) as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 16, 2012. Our report includes a reference to other auditors. We conducted our audit 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. Other auditors audited the financial statements of The Library Foundation, a discretely presented component unit, as described in our report of the County's financial statements. The financial statements of The Library Foundation were not audited in accordance with *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiency in internal control over financial reporting as item 2012-01. 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.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the County's financial statements are free of 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 determination of financial statement amounts. 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*.

The County's response to the finding identified in our audit is described in Management's Views and Corrective Action Plan to Current Year Audit Findings and Questioned Costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the entity, Board of County Commissioners, the Secretary of State, Divisions of Audits, of the State of Oregon, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Eugene, Oregon
November 16, 2012

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of County Commissioners
Multnomah County, Oregon

COMPLIANCE

We have audited the Multnomah County's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2012. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

INTERNAL CONTROL OVER COMPLIANCE

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2012-02. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal 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.

Multnomah County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the audit committee, management, others within the entity, Board of County Commissioners, the Secretary of State, Divisions of Audits, of the State of Oregon, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams, LLP

Eugene, Oregon
November 16, 2012

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2012

Grantor and Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	2613007	\$ 47,585
National School Lunch Program	10.555	2613007	99,424
<i>Total Child Nutrition Cluster</i>			<u>147,009</u>
Passed Through State Department of Human Services:			
Special Supplemental Nutrition Program for Women, Infants & Child	10.557	1936002309	3,167,702
WIC Grants To States (WGS)	10.578		23,416
Passed Through State of Oregon Senior & Disabled Services Division			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		21,553
Passed Through State Department of Agriculture:			
Schools and Roads - Grants to States	10.665	PI 106-393	255,135
Total Department of Agriculture			<u>3,614,815</u>
<u>U.S. Department of Commerce</u>			
Passed Through NOAA			
Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	210-3055	60,000
Total Department of Commerce			<u>60,000</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Community Development Block Grants/Entitlement Grants	14.218		527,569
Passed Through City of Portland:			
Community Development Block Grants/Entitlement Grants	14.218	30000598	308,000
<i>Total Community Development Block Grants/Entitlement Grants</i>			<u>835,569</u>
Supportive Housing Program	* 14.235		2,086,900
Healthy Homes Demonstration Program	14.901		239,342
Passed Through Housing Authority of Portland:			
Home Investment Partnerships Program	14.239	7multn02	37,262
Housing Opportunities for Persons with AIDS	14.241	30001954	8,552
ARRA - Homelessness Prevention and Rapid Re-Housing Program (HPRP)	14.257	7multn02	9,634
Public Housing Capital Fund	14.872		64,009
Passed Through City of Portland:			
Healthy Homes Production Grant Program	14.913	1011165	682
Total Department of Housing and Urban Development			<u>3,281,951</u>
<u>U.S. Department of the Interior</u>			
Direct Programs:			
Payments in Lieu of Taxes	15.226		27,291
Distribution of Receipts to State and Local Governments	15.227		252,084
National Spatial Data Infrastructure Cooperative Agreements Program	15.809		29,649
Total Department of the Interior			<u>309,024</u>

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2012

Grantor and Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Justice</u>			
Direct Programs:			
Comprehensive Approaches to Sex Offender Management			
Discretionary Grant (CASOM)	16.203		63,267
Services for Trafficking Victims	16.320		76,480
Supervised Visitation, Safe Havens for Children	16.527		16,436
Missing Children's Assistance	16.543		231,633
National Institute of Justice Research, Evaluation, and			
Development Project Grants	16.560		5,330
Edward Byrne Memorial State and Local Law Enforcement			
Assistance Discretionary Grants Program	16.580		16,842
Grants to Encourage Arrest Policies and Enforcement of Protection			
Orders Program	* 16.590		414,107
State Criminal Alien Assistance Program	16.606		400,599
Bulletproof Vest Partnership Program	16.607		43,214
Project Safe Neighborhoods	16.609		148,371
Public Safety Partnership and Community Policing Grants	16.710		82,900
Reduction and Prevention of Children's Exposure to Violence	16.730		68,932
Transitional Housing Assistance for Victims of Domestic			
Violence, Dating Violence, Stalking, or Sexual Assault	16.736		97,911
Congressionally Recommended Awards	16.753		226,290
ARRA - Recovery Act Transitional Housing	16.805		177,126
ARRA - Recovery Act - Edward Byrne Memorial Competitive			
Grant Program	16.808		7,888
Second Chance Act Prisoner Reentry Initiative	16.812		164,129
Equitable Sharing Program	16.922		25,000
Passed Through Oregon Commission on Children and Families:			
Juvenile Accountability Block Grants	16.523	2008-6362	142,739
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	FG2008/FG2008-11	748
Passed Through State Department of Justice:			
Crime Victim Assistance	16.575	08-3205/09-3437	283,747
Violence Against Women Formula Grants	16.588	09-VAWA-3229	78,750
Passed Through State Department of Criminal Justice:			
Edward Byrne Memorial Justice Assistance Grant Program	* 16.738	1936002309	845,094
Passed Through City of Portland:			
Edward Byrne Memorial Justice Assistance Grant Program	* 16.738	2009-0552	370,482
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance			
Grant (JAG) Program/ Grants to States and Territories	* 16.803	1936002309	989,335
Grant (JAG) Program / Grants to Units of Local Government	* 16.804	2009-09772	65,949
<i>Total JAG Program Cluster</i>			2,270,860
Passed Through City of Portland, Bureau of Police:			
Economic High-Tech and Cyber Crime Prevention	16.752	1112156	46,339
Passed Through State Department of Corrections:			
Second Chance Act Prisoner Reentry Initiative	16.812	2010-CZ-BX-003	309,103
Total Department of Justice			5,398,740

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2012

Grantor and Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Labor</u>			
Passed Through Special Mobility Services Inc. Senior Community Service Employment Program	17.235	1936002309	600
Total Department of Labor			600
<u>U.S. Department of Transportation</u>			
Passed Through State Department of Transportation:			
Highway Planning and Construction	20.205	7520	55,969
Highway Planning and Construction	20.205	1936002309	154,390
Highway Planning and Construction	20.205	1936002309	13,757,537
<i>Total Highway Planning and Construction</i>			<u>13,967,896</u>
Passed Through State Department of Transportation: Commercial Driver's License Program Improvement Grant	20.232	1936002309	39,339
Total Department of Transportation			14,007,234
<u>U.S. National Endowment for the Humanities</u>			
Passed Through National Endowment for the Humanities: Promotion of the Humanities Public Programs	45.164	LS-50107-07	2,500
Total National Endowment for the Humanities			2,500
<u>Institute of Museum and Library Services</u>			
Passed Through Oregon State Library:			
Grants to States	* 45.310	11-04-4P	33,340
Grants to States	* 45.310	12-03-3P	2,983
Grants to States	* 45.310	LNET 01-11	339,977
Total Institute of Museum and Library Services			376,300
<u>U.S. Environmental Protection Agency</u>			
Passed Through State Department of Human Services			
State Public Water System Supervision	66.432	1936002309	9,084
Capitalization Grants for Drinking Water State Revolving Funds	66.468	1936002309	12,397
Total Environmental Protection Agency			21,481
<u>U.S. Department of Energy</u>			
Direct Program:			
Renewable Energy Research and Development	81.087		104,413
Passed Through Oregon Department of Energy:			
ARRA - State Energy Program	* 81.041	1936002309	303,329
Passed Through Oregon Housing and Community Services:			
Weatherization Assistance for Low-Income Persons	* 81.042	1936002309	278,483
ARRA - Weatherization Assistance for Low-Income Persons	* 81.042	1936002309	2,228,894
<i>Total Weatherization Assistance for Low-Income Persons</i>			<u>2,507,377</u>
ARRA - Energy Efficient Appliance Rebate Program (EEARP)	81.127	1936002309	16,025
ARRA- Energy Efficiency and Conservation Block Grant Program	81.128	1936002309	498
Total Department of Energy			2,931,641

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2012

Grantor and Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>Federal Emergency Management</u>			
Direct Program:			
Disaster Assistance - FEMA Flood	83.516		27,239
Total Federal Emergency Management			27,239
<u>U.S. Department of Education</u>			
Passed Through Portland Community College:			
Adult Education - Basic Grants to States	84.002	045-09	30,450
Passed Through Portland Public Schools:			
Title I Grants to Local Educational Agencies	84.010		240,000
ARRA - Title I Grants to Local Educational Agencies	84.389	SAE 1011095	133,728
<i>Total Title I Part A Cluster</i>			<u>373,728</u>
Passed Through Portland Public Schools:			
Voluntary Public School Choice	84.361	57973	5,852
Total Department of Education			410,030
<u>U.S. Election Assistance Commission</u>			
Passed Through State Department:			
Help America Vote Act Requirements Payments	90.401	HAVA 0701-093011	11,646
Total Election Assistance Commission			11,646
<u>U.S. Department of Health and Human Services</u>			
Passed Through State Department of Human Services:			
Special Programs for the Aging Title IV and Title II Discretionary Projects	93.048	1936002309	177,119
Passed Through State Department:			
Medicare Enrollment Assistance Program	93.071	MIPPA 09-11-12	18,838
Passed Through State Health Division:			
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	LPHA 135574-13	82,550
Direct Programs:			
Enhance the Safety of Children Affected by Substance Abuse	93.087		580,947
Oral Diseases and Disorders Research	93.121		27,247
Injury Prevention and Control Research and State and Community Based Programs	93.136		141,333
Passed Through Portland State University:			
Injury Prevention and Control Research and State and Community Based Programs	93.136	CDC sub050139 MCHD	18,346
Passed Through State Division of Public Health:			
Injury Prevention and Control Research and State and Community Based Programs	93.136	MADS-7C02	225
<i>Total Injury Prevention and Control Research and State and Community Based Programs</i>			<u>159,904</u>

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2012

Grantor and Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Health & Human Services</u> (continued)			
Direct Programs:			
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153		327,634
Affordable Care Act (ACA) Grants for School-Based Health Center Capital Expenditures	93.501		100,740
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	* 93.224	6H80CS00149-11-01	7,267,554
Refugee and Entrant Assistance Discretionary Grants	93.576		97,757
ARRA – Grants to Health Center Programs	93.703		158,624
ARRA - Prevention and Wellness - Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	* 93.724		3,336,925
HIV Emergency Relief Project Grants	* 93.914	2H89HA00040-18-00	3,832,673
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918		877,328
Healthy Start Initiative	93.926		811,268
Passed Through National Association of City and County Health Officials:			
Medical Reserve Corps Small Grant Program	93.008	MRC090141	3,464
Passed Through State Department of Human Services:			
Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	1936002309	7,166
Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	93.043	1936002309	46,541
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	1936002309	867,860
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	1936002309	1,081,025
Nutrition Services Incentive Program	93.053	1936002309	446,580
<i>Total Aging Cluster</i>			2,395,464
Alzheimer's Disease Demonstration Grants to States	93.051	1936002309	127,404
National Family Caregiver Support, Title III, Part E	93.052	1936002309	269,655
Public Health Emergency Preparedness	93.069	1936002309	300,780
Environmental Public Health and Emergency Response	93.070	1936002309	17,029
Passed Through NW Family Services:			
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90AE0160	266,127
Passed Through State Department of Human Services:			
Project Grants & Cooperative Agreements for Tuberculosis Control Programs	93.116	1936002309	72,858
Passed Through University of Washington:			
AIDS Education and Training Centers	93.145	654951	109,309
Passed Through State Department of Human Services:			
Projects for Assistance in Transition from Homelessness (PATH)	93.150	1936002309	252,017
Family Planning Services	93.217	1936002309	376,261
Substance Abuse and Mental Health Services-Access to Recovery	93.275	135133	132,060

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2012

Grantor and Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health & Human Services (continued)			
Passed Through State Division of Public Health:			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1936002309	149,324
Universal Newborn Hearing Screening	93.251	LPHA 135574-13	39,624
Adult Viral Hepatitis Prevention and Control	93.270	LPHA 135574-13	69,976
Passed Through State Department of Human Services:			
Immunization Grants	93.268	1936002309	55,200
Passed Through Oregon Research Institute			
Drug Abuse and Addiction Research Programs	93.279	1112020	1,563
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	1936002309	247,270
Passed Through Washington County Public Health:			
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	CA 09-0978	22,327
Passed Through National Association of County & City Health Officers			
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	2010-100101	279,030
<i>Total Centers for Disease Control and Prevention Investigations and Technical Assistance</i>			<i>548,627</i>
Passed Through Oregon Community Health Information Network:			
ARRA - Community Health Applied Research Network	93.420		4,837
Passed Through State Division Public Health:			
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	132027	130,807
Passed Through Oregon Commission on Children And Families:			
Promoting Safe and Stable Families	93.556	MUL0911	51,743
Passed Through Oregon Housing and Community Services:			
Temporary Assistance for Needy Families	93.558	1936002309	82,523
Passed Through Oregon Department of Justice:			
Child Support Enforcement	93.563	1936002309	1,850,663
Passed Through Oregon Housing and Community Services:			
Low-Income Home Energy Assistance	* 93.568	0310559	5,816,042
Foster Care Title IV E	93.658		4,606
Passed Through Oregon Housing and Community Services:			
Community Services Block Grant	93.569	0310559	846,559
Passed Through Oregon Department of Justice:			
Grants to States for Access and Visitation Programs	93.597	Multnomah	40,381
Passed Through Mount Hood Community College Head Start:			
Head Start	93.600	0210115-6	64,665

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2012

Grantor and Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Health & Human Services</u> (continued)			
Passed Through Oregon Secretary of State: Voting Access for Individuals with Disabilities Grants to States	93.617	110087	28,686
Passed Through Oregon Commission on Children And Families: Social Services Block Grant	93.667	MUL0911	721,079
Passed Through Oregon Health Sciences University: ARRA - Trans-NIH Recovery Act Research Support	93.701	APHPM0167ST-MC	9,974
Passed Through Washington State Department of Health: ARRA - Prevention and Wellness-State, Territories and Pacific Islands	93.723	#N17703	17,776
Passed Through State Dept of Consumer Business Svc./Dep. Human Services: Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	SHIBA 1011-15 / 130183	56,243
Passed Through Oregon Community Health Information Network: Medicaid Transformation Grants	93.793	Con#1011167	55,000
Passed Through Kaiser Foundation Research Institute: Cardiovascular Diseases Research	93.837	#R18HL095481-01A1	47,363
Passed Through State Department of Human Services: National Bioterrorism Hospital Preparedness Program	93.889	1936002309	324,013
Passed Through Oregon Health Sciences University: Ryan White HIV/AIDS Dental Reimbursements Community Based Dental Partnership	93.924	GPBHD0014A MULT	11,563
Passed Through State Department of Human Services: HIV Prevention Activities Health Department Based	93.940	1936002309	681,518
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	1936002309	381,225
Passed Through National Association of Chronic Disease Directors: Assistance Programs for Chronic Disease Prevention and Control	93.945	4CA128-01 1 MCHD#0809147	42,140
Passed Through State Department of Human Services: Block Grants for Community Mental Health Services	93.958	1936002309	701,285
Block Grants for Prevention and Treatment of Substance Abuse	93.959	1936002309	4,227,879
Passed Through Oregon Health Sciences University: Maternal and Child Health Services Block Grant to the States	93.994	4 B04MC06604-01-04	106,608
Passed Through State Department of Human Services: Maternal and Child Health Services Block Grant to the States	93.994	1936002309	411,455
<i>Total Maternal and Child Health Services Block Grant to the States</i>			<u>518,063</u>
Total Department of Health and Human Services			<u>39,814,190</u>

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2012

Grantor and Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Corporation for National and Community Service</u>			
Direct Program:			
Foster Grandparent Program	94.011		172,544
Total Corporation for National and Community Service			<u>172,544</u>
<u>U.S. Department of Homeland Security</u>			
Passed Through City of Portland-Department of Emergency Communications:			
Non-Profit Security Program	97.008	UASI08/09/10	207,102
Homeland Security Grant Program	97.067	UA08-0181	31,639
Passed Through Oregon State Marine Board:			
Boating Safety Financial Assistance	97.012	1936002309	712,987
Passed Through Oregon Emergency Management:			
Flood Mitigation Assistance	97.029	EMS-200X-FM-E00X	6,218
Emergency Management Performance Grants	97.042	EMPG09	370,620
State Homeland Security Program (SHSP)	97.073	08-243	45,915
State Homeland Security Program (SHSP)	97.073	09	53,130
State Homeland Security Program (SHSP)	97.073	10	144,138
State Homeland Security Program (SHSP)	97.073	11-267	172,751
<i>Total State Homeland Security Program (SHSP)</i>			<u>415,934</u>
Law Enforcement Terrorism Prevention Program (LETTP)	97.074	LETTP 05	4,954
<i>Total Law Enforcement Terrorism Prevention Program (LETTP)</i>			<u>4,954</u>
Buffer Zone Protection Program (BZPP)	97.078	08-093	2,961
Total Department of Homeland Security			<u>1,752,414</u>
Total Federal Expenditure			<u>\$ 72,192,350</u>

MULTNOMAH COUNTY, OREGON
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Note A – General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal awards programs of Multnomah County, Oregon (the County) for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The County's reporting entity is defined in Note 1 to the County's June 30, 2012 basic financial statements.

Note B – Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified-accrual basis of accounting, as described in Note 1 to the County's basic financial statements. Expenditures reported on this schedule are recognized following the cost principles in OMB Circular A-87, *Cost Principles for State, Local Governments and Indian Tribal Governments*, where certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The Highway Planning and Construction grant, CFDA 20.205, was reported on the cash basis due to the nature of this award. The Schedule provides the summary of expenditures of federal awards by program or program cluster (CFDA number), by State Agency, if applicable, and by detailed pass through agency, if applicable. Federal CFDA numbers are from the Catalog of Federal Domestic Assistance (CFDA) published by the Office of Management and Budget and the General Services Administration.

Note C – Relationship to Basic Financial Statements

Federal financial assistance revenues reported in the County's basic financial statements are included with operating grants and contributions.

Note D – Non-cash Awards

The accompanying Schedule of Expenditures of Federal Awards includes three non-cash awards.

An award from the State Department of Education provides food donations (CFDA #10.555 - Commodity Supplemental Food Program) for the Juvenile Detention Center. The value of the food is determined by the grantor; \$6,323. This amount is included in the total program value reported on the Schedule of Expenditures of Federal Awards of \$99,424.

An additional award from the Department of Health and Human Services is in the form of immunization vaccines (CFDA #93.268 – Childhood Immunization Grants). The value of the non-cash portion of the Childhood Immunization Grant award was determined by the granting agency. The amount expended and advanced at June 30, 2012 is calculated on a proportionate basis; \$2,580,925. This amount is disclosed only and is not included in the cash value portion reported on the Schedule of Expenditures of Federal Awards of \$55,200.

MULTNOMAH COUNTY, OREGON
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Note E - Subrecipients

Of the Federal expenditures presented in the schedule, Multnomah County provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA number</u>	<u>Amount provided to subrecipients</u>
WIC Grants to States (WGS)	10.578	7,581
Schools and Roads - Grants to States	10.665	58,931
Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	5,000
Community Development Block Grants/Entitlement Grants	14.218	747,651
Supportive Housing Program	14.235	1,698,913
Missing Children's Assistance	16.543	138,504
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	168,638
Project Safe Neighborhoods	16.609	8,555
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	16.736	42,182
Edward Byrne Memorial Justice Assistance Grant Program	16.738	674,420
Congressionally Recommended Awards	16.753	165,765
<i>ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories</i>	16.803	423,863
<i>ARRA - Recovery Act - Transitional Housing</i>	16.805	65,981
Second Chance Act Prisoner Reentry Initiative	16.812	457,639
Highway Planning and Construction	20.205	9,290
Title I Grants to Local Educational Agencies	84.010	240,000
Voluntary Public School Choice	84.361	5,575
<i>ARRA - Recovery Act - Title I Grants to Local Educational Agencies</i>	84.389	133,728
Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	93.043	38,471
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	253,386
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	1,066,025
Special Programs for the Aging Title IV and Title II Discretionary Projects	93.048	13,555
Alzheimer's Disease Demonstration Grants to States	93.051	40,731
National Family Caregiver Support, Title III, Part E	93.052	113,762
Nutrition Services Incentive Program	93.053	441,581
Enhance Safety of Children Affected by Substance Abuse	93.087	415,084
Oral Diseases and Disorders Research	93.121	9,823
Projects for Assistance in Transition from Homelessness (PATH)	93.150	235,196
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	62,394
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	93.224	281,268
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	99,452
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	118,490
Low-Income Home Energy Assistance	93.568	412,663
Community Services Block Grant	93.569	708,278
Social Services Block Grant	93.667	670,707
<i>ARRA - Recovery Act - Prevention and Wellness - Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)</i>	93.724	1,419,400
HIV Emergency Relief Project Grants	93.914	2,280,611
HIV Prevention Activities Health Department Based	93.940	326,025
Block Grants for Community Mental Health Services	93.958	241,744
Block Grants for Prevention and Treatment of Substance Abuse	93.959	3,901,318
Non-Profit Security Program	97.008	3,431
Total Subrecipient pass-through		18,205,611

**MULTNOMAH COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified
 Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies(s) identified X yes _____ none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies (s) identified X yes _____ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.235	Supportive Housing Program
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program
45.310	Grants to States
81.041	ARRA – State Energy Program
81.042	Weatherization Assistance for Low-Income Persons
81.042	ARRA – Weatherization Assistance for Low-Income Persons
93.224	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)
93.724	ARRA – Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)
93.914	HIV Emergency Relief Project Grants
93.568	Low-Income Home Energy Assistance

**MULTNOMAH COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

	<i>Justice Assistance Grant (JAG) Cluster</i>
16.738	Edward Byrne Memorial Justice Assistance Grant Program
16.803	ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories
16.804	ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to Units of Local Government

Dollar threshold used to distinguish between type A and type B programs: \$ 2,165,771

Auditee qualified as low-risk auditee? X yes _____ no

Section II - Financial Statement Findings

FINDING 2012-01 – Capitalization of Software – Significant Deficiency in Internal Control

Criteria: Governmental Accounting Standards Board Pronouncement 51 – *Accounting and Financial Reporting for Intangible Assets*, issued June 2007 and effective for periods beginning after June 15, 2009 requires capitalization of internally generated software. This pronouncement requires the classification of software related expenditures into one of three categories: a) Preliminary Project State; b) Application Development Stage; 3) Post-Implementation / Operation Stage. Expenditures categorized as Application Development Stage are to be capitalized; all other expenditures related to the project are to be expensed as incurred.

Condition: The County does not have an effective process in place to accurately capture capital related software development expenditures, and does not have a process to properly classify software development costs into the three categories specified by GASB 51.

Context: The County had approximately 20 software projects in various stages of development during fiscal year 2012. Without established processes in place, management experienced significant difficulty in accurately capturing those expenditures that were subject to capitalization under GASB 51. This lead to several errors that had to be corrected including: the attempted capitalization of expenditures that should have been expensed, and the expense of items that should have been capitalized.

Cause: Management attempts to identify qualifying projects and the associated expenditures for capitalization as part of the year end closing process. This is a manual process mostly occurring outside of the accounting system. A significant portion of the expenditures capitalized are payroll related using a timekeeping system external to the accounting system. Management had difficulty identifying labor that was strictly for the Application Development Stage.

**MULTNOMAH COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Effect: Errors are occurring in the reporting of software development costs that should be capitalized as assets. In the current year, there was approximately \$70,000 of expenses initially capitalized that were later determined to not meet the capitalization criteria of GASB 51. Also, there was approximately \$510,000 of expenses not initially capitalized that were later determined to meet the capitalization criteria of GASB 51. A total of approximately \$871,000 in software costs were capitalized during the current year and about 60% of that was initially erroneously excluded from this total. In addition, due to the time constraints involved, only five of the software projects were actually evaluated for capitalization. The remaining projects were not assessed for capitalization and were fully expensed resulting in potential overstatement of current year expenditures and understatement of capitalized assets.

Recommendation: Management should implement an effective process for properly identifying and capturing expenditures that meet the criteria for capitalization. This process should include consideration and documentation of the following elements: identification at project inception of whether the project is of a capital nature, development of a project budget, establishment of the likelihood the project will meet its intended objectives, establishment of the financial commitment to fund the project to completion, assessment of whether the project will have enough expenditures during the Application Development Stage to meet the County’s capitalization threshold; use of SAP as a project or cost accounting mechanism to identify costs that are to be capitalized; reconciliation between the budgeted project costs to be capitalized and actual expenditures as recorded in SAP; and a set of internal controls over the process to ensure accuracy and timeliness of information.

Management’s Response: Management’s response is included at “Management’s Views and Corrective Action Plan.”

Section III - Federal Award Findings and Questioned Costs

FINDING 2012-02 – Eligibility – Significant Deficiency in Internal Controls

Federal Programs: Weatherization for Assistance for Low-Income Persons, CFDA 81.042
ARRA – Weatherization Assistance for Low-Income Persons, CFDA 81.042
Low-Income Home Energy Assistance, CFDA 93.568

Federal Agencies: US Department of Energy
US Department of Health and Human Services

Award Years: 2011 to 2013 for both grants

Criteria: The County is responsible for designing and implementing effective internal controls over the eligibility determination process to ensure program integrity and proper use of federal resources.

**MULTNOMAH COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Condition: During testing procedures performed over the eligibility determination process, internal controls were found to be poorly designed and not effectively implemented. There was a lack of segregation of duties and no evidence of a formal review and approval process in place. Even though controls were found to be deficient, no instance of eligibility non-compliance was noted.

Questioned Costs: None to be reported.

Context: Personnel responsible for the eligibility determination process were found to be capable of, and often did, complete the entire client eligibility determination without any further review or approval by another person. Within the Weatherization program (CFDA 81.042), one instance out of a sample of 10 was noted where the client application for services was not maintained in the file. Within the LIEAP program (CFDA 93.568), a search for duplicates on the authorization number was performed and 51 duplicates were noted within the population of approximately 14,000. Additional procedures were performed over these duplicates and in most instances the duplicate was provided to a family member or resident of the same address. No instance of double payment was noted, and all the duplicate individuals examined were found to be eligible for services.

Cause: Weatherization Programs (CFDA 81.042) – the same individual may be able to receive the client’s application, approve the client’s eligibility and enter the client’s data into the system without further documentation of review or approval by another County staff. As a result, there are no segregation of duties built into the client eligibility process.

LIEAP Program (CFDA 93.568) – the County is required to use the OPUS system designed and maintained by the Oregon Housing and Community Services Division to determine client eligibility. The internal controls built into this system do not require that the person who enters the data be separate and different from the person that reviews and approves client eligibility. There is no segregation of duties designed into the system, and the County has not effectively designed or implemented its own controls over the system to mitigate this weakness.

Effect: Without well designed and effective internal controls implemented over the eligibility determination process, there is a higher risk that federal funds could be subject to fraud or abuse. Lack of review and oversight also increases the risk for potential data errors and eligibility noncompliance.

Recommendation: It is recommended that the County develop and implement a series of internal controls over the eligibility determination process to ensure all client applications are subject to review and approval, and that this process is thoroughly documented. It is also recommended that role assignments for personnel be restructured to increase segregation of duties as it pertains to eligibility determinations.

Management’s Response: Management’s response is included at “Management’s Views and Corrective Action Plan.”



MULTNOMAH COUNTY OREGON

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Management's Views and Corrective Action Plan to Current Year Audit Findings and Questioned Costs

For the Fiscal Year Ending June 30, 2012

FINDING 2012-01 Capitalization of Software – Significant Deficiency in Internal Control

Management has appreciated discussions with Moss Adams about improving GASB 51 reporting. We are undertaking several actions to both strengthen internal controls and to improve GASB 51 reporting going forward. The IT Division has incorporated steps to prospectively identify potential GASB 51 software projects at each quarterly Demand Planning meeting and at each IT Advisory Board meeting. Projects so identified will be flagged, and all project development efforts will be characterized by GASB 51 phases. IT's time tracking software will be further configured to ensure that labor costs associated with the development phase of GASB 51 software projects can be accurately captured and properly capitalized. We will also review this information in conjunction with other software costs recorded in SAP. In addition, we will document our process and implement internal controls throughout the process including evidence of reviews and approvals. Related to this issue, management also plans to evaluate our current capitalization thresholds including the capitalization threshold for software.

FINDING 2012-02 Eligibility – Significant Deficiency in Internal Controls

Federal Programs: Low-Income Energy Assistance, CFDA 93.568, Weatherization Assistance for Low-Income Persons, CFDA 81.042 and ARRA – Weatherization for Assistance for Low-Income Persons, CFDA 81.042

Upon learning of the eligibility finding during the LIEAP audit, DCHS management took additional steps to strengthen internal controls over the eligibility screening process. This included segregation of duties for the individuals who perform data entry from those who are approvers for the process and developing a log noting the steps to document eligibility approval. Management believes these additional controls will meet the grant requirements.

Management is still working with the Weatherization program to review the steps in the eligibility approval process and identify where controls can be strengthened and how this will be documented. Before the end of fiscal year 2013, DCHS will have implemented controls over the eligibility determination process to ensure client applications are reviewed, approved and documented and that segregation of duties is built into this process.

Management anticipates both programs will be in full compliance with the eligibility reporting requirements before June 30, 2013.

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