

AUDIT COMMENTS AND FEDERAL GRANT PROGRAMS SECTION

AUDIT COMMENTS

- Report of Independent Certified Public Accountants on the County's Compliance and on Internal Control Over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance with *Oregon Auditing Standards*

FEDERAL GRANT PROGRAMS

- Report of Independent Certified Public Accountants 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 Certified Public Accountants on the County's 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
- Summary Schedule of Prior Year Audit Findings and Questioned Costs

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *OREGON AUDITING 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, 2010 and have issued our report thereon dated November 23, 2010. 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 2010 and 2011.
- 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 no instances of noncompliance that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State.

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 certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting. That item is noted at 2010-01 in the Schedule of Findings and Questioned Costs. 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 23, 2010

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

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, and the aggregate remaining fund information of Multnomah County, Oregon (the County) as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 23, 2010. Our report includes a reference to other auditors, and a reference to the County's restatement of its net assets to correct its method of depreciating right-of-ways for the road system. 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

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 certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting. That item is noted at 2010-01. 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*.

We noted certain matters that we reported to management of the County in a separate letter dated November 23, 2010.

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, the 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 23, 2010

**REPORT 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 compliance of Multnomah County (the County) 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, 2010. 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, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-02, 2010-03 and 2010-04.

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 our 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.

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 certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2010-02 and 2010-4. 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.

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

This report is intended solely for the information and use of the audit committee, management, the Board of County Commissioners, and 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 23, 2010

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2010

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	\$ 51,915
National School Lunch Program	10.555	2613007	109,917
<i>Total Child and Nutrition Cluster</i>			<u>161,832</u>
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	2613007	17,889
Passed Through State Department of Human Services:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	1936002309	2,744,765
Passed Through State Department of Agriculture:			
Schools and Roads_Grants to States	10.665	PI 106-393	807,166
Total U.S. Department of Agriculture			<u>3,731,652</u>
<u>U.S. Department of Commerce</u>			
Passed Through National Association of Area Agencies:			
Special Projects	11.553	93-6002309	16,084
Total Department of Commerce			<u>16,084</u>
<u>U.S. Department of Defense</u>			
Passed Through Oregon Department of Administrative Services:			
Payments to States in Lieu of Real Estate Taxes	12.112	1936002309	1,125
Total Department of Defense			<u>1,125</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Community Development Block Grants/Entitlement Grants	14.218		304,215
Passed Through City of Portland:			
Community Development Block Grants/Entitlement Grants	14.218	30000598	280,716
<i>Total Community Development Block Grants/Entitlement Grants</i>			<u>584,931</u>
Direct Programs:			
ARRA - Community Development Block Grants ARRA Entitlement Grants	14.253		81,318
<i>Total CDBG Entitlement Grants Cluster</i>			<u>666,249</u>
Supportive Housing Program	14.235		2,096,523
Healthy Homes Demonstration Grants	14.901		34,001
Passed Through Housing Authority of Portland:			
ARRA-Homelessness Prevention and Rapid Re-housing	14.257	7multn02	26,812
Passed Through City of Portland:			
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	910022	153,188
Total Department of Housing and Urban Development			<u>2,976,773</u>

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2010

<u>Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Interior</u>			
Direct Programs:			
Payment in Lieu of Taxes	15.226		26,488
Distribution of Receipts to State and Local Governments	15.227		942,983
Total Department of Interior			<u>969,471</u>
<u>U.S. Department of Justice</u>			
Direct Programs:			
Services for Trafficking Victims	16.320		95,882
Missing Children's Assistance Program	16.543		62,628
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580		1,409
Drug Court Discretionary Grant Program	16.585		47,155
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590		374,040
State Criminal Alien Assistance Program	16.606		431,416
Bulletproof Vest Partnership Program	16.607		30,066
Community Prosecution and Project Safe Neighborhoods	16.609		155,588
Public Safety Partnership and Community Policing Grants	16.710		236,611
Reduction and Prevention of Children's Exposure to Violence	16.730		214,763
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	16.736		73,061
Anti-Gang Initiative	16.744		71,654
Congressionally Recommended Awards	16.753		209,014
ARRA - Recovery Act Transitional Housing	16.805		113,957
ARRA - Recovery Act - Edward Byrne Memorial Competitive Grant Program	16.808		92,877
Passed Through Oregon Commission on Children and Families:			
Juvenile Accountability Incentive Block Grants	16.523	2008-6362	111,371
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	FG2008/FG2008-11	65,758
Passed Through State Department of Justice:			
Crime Victim Assistance	16.575	08-3205/09-3437	174,513
ARRA - Violence Against Women Formula Grant	16.588	09-ARRA-VAWA-3530	22,857
Violence Against Women Formula Grants	16.588	09-VAWA-3229	75,000
<i>Total Violence Against Women Formula Grant</i>			<u>97,857</u>
Passed Through State Department of Criminal Justice:			
Edward Byrne Memorial Justice Assistance Grant Program	* 16.738	1936002309	716,600
Passed Through City of Portland:			
Edward Byrne Memorial Justice Assistance Grant Program	* 16.738	2009-0552	175,866
<i>Total Edward Byrne Memorial Justice Assistance Grant Program</i>			<u>892,466</u>
ARRA - Edward Byrne Memorial Justice Assistance Grant Programs/Grants to States and Territories	16.803	1936002309	365,161

* Indicates a Major Program

(continued)

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2010

Grantor and Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Justice</u> (continued)			
Passed Through City of Portland:			
ARRA - Edward Byrne Memorial Justice Assistance Grant Programs/Grants to States and Territories	* 16.804	2009-0977	796,617
Total Department of Justice			<u>4,713,864</u>
<u>U.S. Department of Transportation</u>			
Passed Through State Department of Transportation:			
ARRA_Highway Planning and Construction	* 20.205	1936002309	31,077
Highway Planning and Construction	* 20.205	1936002309	2,819,096
<i>Total Highway Planning and Construction</i>			<u>2,850,173</u>
Passed Through State Department of Human Services:			
Child Safety and Child Booster Seats Incentive Grants	20.613	1936002309	1,594
Total Department of Transportation			<u>2,851,767</u>
<u>U.S. General Services Administration</u>			
Passed Through Oregon Department of Administrative Services:			
Donation of Federal Surplus Personal Property	39.003	1936002309	49,138
Total U.S. General Services Administration			<u>49,138</u>
<u>Institute of Museum and Library Services</u>			
Direct Programs:			
National Leadership Grants	45.312		2,644
Passed Through National Endowment for the Humanities:			
Promotion of the Humanities _ Public Programs	45.164	LS-50107-07	1,000
Passed Through Oregon State Library:			
Grants to States	45.310	08-05-5P	314
Grants to States	45.310	08-04-5P/09-04-3P	56,929
Grants to States	45.310	09-05-1P/10-03-1P	27,655
Grants to States	45.310	LNET 01-09	386,110
<i>Total Grants to States</i>			<u>471,008</u>
Passed Through Oregon Museum Science and Industry:			
National Leadership Grants	45.312	D09-05	69,097
Total Institute of Museum and Library Services			<u>543,749</u>
<u>U.S. Environmental Protection Agency</u>			
Direct Programs:			
Environmental Justice Small Grant Program	66.604		14,604
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		24,003
Passed Through Oregon Department of Environmental Quality:			
ARRA - State Clean Diesel Program	66.040	066-10	9,576

* Indicates a Major Program

(continued)

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2010

Grantor and Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Environmental Protection Agency</u> (continued)			
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	12,110
Protection of Children and Older Adults (Elderly) from Environmental Health Risks	66.609	1936002309	2,925
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707	1936002309	2,000
Passed Through Oregon Center for Environmental Health:			
Solid Waste Management Assistance Grants	66.808	Multnomah	15,000
Total U.S. Environmental Protection Agency			<u>89,302</u>
<u>U.S. Department of Energy</u>			
Passed Through Oregon Department of Energy:			
ARRA _ State Energy Program	81.041	1936002309	14,797
Passed Through Oregon Housing and Community Services:			
Weatherization Assistance for Low-Income Persons	* 81.042	1936002309	742,937
ARRA Weatherization Assistance for Low-Income Persons	* 81.042	1936002309	1,013,630
<i>Total Weatherization Assistance for Low-Income Persons</i>			<u>1,756,567</u>
ARRA - Energy Efficient Appliances Rebate Program (EEARP)	81.127	1936002309	32,483
Total Department of Energy			<u>1,803,847</u>
<u>Federal Emergency Management</u>			
Direct Program:			
Disaster Assistance - FEMA Flood	83.516		215
Total Federal Emergency Management			<u>215</u>
<u>U.S. Department of Education</u>			
Passed Through Portland Community College:			
Adult Education - Basic Grants to States	84.002	045-09	33,060
Passed Through Oregon Department of Human Resources:			
Safe and Drug Free Schools and Communities_State Grants	84.186	1936002309	72,248
Passed Through Oregon Department of Education:			
Twenty-First Century Community Learning Centers	84.287	4128	144,663
Total Department of Education			<u>249,971</u>
<u>U.S. Department of Health & Human Services</u>			
Direct Programs:			
Community-Based Abstinence Education (CBAE)	93.010		522,490
Special Programs for the Aging_Title IV_and Title III_ Discretionary Projects	93.048		18,971
Passed Through State Department of Human Services:			
Special Programs for the Aging_Title IV_and Title III_ Discretionary Projects	93.048	1936002309	119,659
<i>Total Special Programs for the Aging_Title IV_and Title III_Discretionary Projects</i>			<u>138,630</u>

* Indicates a Major Program

(continued)

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2010

Grantor and Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health & Human Services (continued)			
Direct Programs:			
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087		833,302
Food and Drug Administration_Research	93.103		28,096
Injury Prevention and Control Research and State and Community Based Programs	93.136		330,971
Passed Through Portland State University:			
Injury Prevention and Control Research and State and Community Based Programs	93.136	CDC sub050139 MCHD	384,632
<i>Total Injury Prevention and Control Research and State and Community Based Programs</i>			715,603
Direct Programs:			
Coordinated Services and Access to Research for Women, Infants, Children and Youth	93.153		192,499
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		6,733,117
State Capacity Building	93.240		124,085
Drug Abuse and Addiction Research Programs	93.279		35,935
Cancer Cause and Prevention Research	93.393		17,140
Refugee and Entrant Assistance_Discretionary Grants	93.576		150,000
ARRA – Grants to Health Center Programs *	93.703		1,106,375
ARRA - Prevention and Wellness- Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	93.724		184,989
HIV Emergency Relief Project Grants	93.914		3,653,325
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918		1,010,122
Healthy Start Initiative	93.926		745,602
Special Projects of National Significance	93.928		44,201
Passed Through Oregon Health Sciences University:			
Special Projects of National Significance	93.928	GINTR0027EN MULT	30,177
<i>Total Special Projects of National Significance</i>			74,378
Passed Through National Association of City and County Health Officials:			
Medical Reserve Corps Small Grant Program	93.008	MRC090141	3,637
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	7,776
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	93.043	1936002309	46,571
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers *	93.044	1936002309	799,701
Special Programs for the Aging_Title III, Part C_Nutrition Services *	93.045	1936002309	984,877
Nutrition Services Incentive Program *	93.053	1936002309	438,342
ARRA - Aging Home-Delivered Nutrition Services for States *	93.705	1936002309	73,943
ARRA - Aging Congregate Nutrition Services to States *	93.707	1936002309	150,207
<i>Total Aging Cluster</i>			2,447,070

* Indicates a Major Program

(continued)

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2010

Grantor and Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health & Human Services (continued)			
Alzheimer's Disease Demonstration Grants to States	93.051	1936002309	44,843
National Family Caregiver Support, Title III, Part E	93.052	1936002309	326,562
Public Health Emergency Preparedness	* 93.069	1936002309	365,742
Public Health Emergency Preparedness	* 93.069	1936002309	1,989,267
<i>Total Public Health Emergency Preparedness</i>			2,355,009
Environmental Public Health and Emergency Response	93.070	1936002309	17,574
Passed Through NW Family Services:			
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90AE0160	275,995
Passed Through State Department of Human Services:			
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.110	1936002309	2,223
Project Grants & Cooperative Agreements for Tuberculosis Control Programs	93.116	1936002309	106,119
Passed Through University of Washington:			
AIDS Education and Training Centers	93.145	654951	99,278
Passed Through State Department of Human Services:			
Projects for Assistance in Transition from Homelessness (PATH)	93.150	1936002309	66,049
Family Planning_Services	93.217	1936002309	418,530
Passed Through State Division of Public Health:			
Projects of Regional and National Significance	93.243	1936002309	9,603
Passed Through State Department of Human Services:			
Immunization Grants	* 93.268	1936002309	2,488,945
ARRA_ Immunization	* 93.712	1936002309	47,960
<i>Total Immunization Cluster</i>			2,536,905
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	1936002309	311,693
Passed Through Washington County Public Health:			
Centers for Disease Control and Prevention investigations and Technical Assistance	93.283	CA 09-0978	21,368
Passed Through National Association of Community Health Organization:			
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283		234,297
<i>Total Centers for Disease Control and Prevention_Investigations and Technical Assistance</i>			567,358
Passed Through Oregon Commission on Children And Families:			
Promoting Safe and Stable Families	93.556	MUL0911	27,263
Passed Through Oregon Housing and Community Services:			
Temporary Assistance for Needy Families	93.558	1936002309	105,917
Passed Through Oregon Department of Justice:			
Child Support Enforcement	* 93.563	1936002309	1,351,502
ARRA Child Support Enforcement	* 93.563	1936002309	660,208
<i>Total Child Support Enforcement</i>			2,011,710

* Indicates a Major Program

(continued)

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2010

Grantor and Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health & Human Services (continued)			
Passed Through Oregon Housing and Community Services:			
Low-Income Home Energy Assistance	93.568	0310559	8,393,046
Passed Through Oregon Housing and Community Services:			
Community Services Block Grant	93.569	0310559	886,055
ARRA _ Community Services Block Grant	93.710	0310559	1,064,400
<i>Total CSBG Cluster</i>			<u>1,950,455</u>
Passed Through Oregon Childcare Resource & Referral Network:			
Child Care and Development Block Grant	93.575	1936002309	95,000
Passed Through Yakima Valley Farm Workers Clinic:			
Community-Based Child Abuse Prevention Grants	93.590	90CA1759	10,000
Passed Through Oregon Department of Justice:			
Grants to States for Access and Visitation Programs	93.597	Multnomah	42,822
Passed Through Mount Hood Community College Head Start:			
Head Start	93.600	0210115-6	59,598
Passed Through Oregon Commission on Children And Families:			
Social Services Block Grant	* 93.667	MUL0911	737,549
Passed Through Oregon Health Sciences University:			
ARRA _ Trans-NIH Recovery Act Research Support	93.701	APHPM0167ST-MC	140,538
Passed Through Oregon Association of Hospitals and Health Systems:			
National Bioterrorism Hospital Preparedness Program	93.889	Multnomah	7,759
Passed Through State Department of Human Services:			
National Bioterrorism Hospital Preparedness Program	93.889	1936002309	291,161
<i>Total National Bioterrorism Hospital Preparedness Program</i>			<u>298,920</u>
Passed Through Oregon Health Sciences University:			
Ryan White HIV/AIDS Dental Reimbursements/ Community Based Partnerships	93.924	GPBHD0014A MULT	4,968
Passed Through State Department of Human Services:			
HIV Prevention Activities_Health Department Based	93.940	1936002309	1,032,959
HIV / AIDS Surveillance	93.944	1936002309	349,308
Passed Through National Association of Chronic Disease Directors:			
Assistance Programs for Chronic Disease Prevention and Control	93.945	4CA128-01 1 MCHD#0809147	20,558
Passed Through State Department of Human Services:			
Block Grants for Community Mental Health Services	93.958	1936002309	506,165
Block Grant for Prevention and Treatment of Substance Abuse	93.959	1936002309	3,810,407
Preventative Health and Health Services Block Grant	93.991	1936002309	3,500

* Indicates a Major Program

(continued)

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2010

<u>Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health & Human Services (continued)</u>			
Passed Through Oregon Health Sciences University:			
Maternal and Child Health Services Block Grant to the States	93.994	4 B04MC06604-01-04	119,070
Passed Through State Department of Human Services:			
Maternal and Child Health Services Block Grant to the States	93.994	1936002309	471,570
<i>Total Maternal and Child Health Services Block Grant to the States</i>			<u>590,640</u>
Total Department of Health and Human Services			<u>45,788,113</u>
 <u>US Department of Homeland Security</u>			
Passed Through City of Portland-Department of Emergency Communications:			
Non-Profit Security Program	97.008	52304	175,617
Passed Through Oregon State Marine Board:			
Boating Safety Financial Assistance	97.012	1936002309	707,722
Passed Through Oregon Emergency Management:			
Flood Mitigation Assistance	97.029	EMS-2008-FM-E002	13,000
Emergency Management Performance Grants	97.042	EMPG09	344,905
Citizen Corps	97.053	07-111	19,775
State Homeland Security Program (SHSP)	97.073	07-225	148,856
State Homeland Security Program (SHSP)	97.073	09-264	88,165
<i>Total State Homeland Security Program (SHSP)</i>			<u>237,021</u>
Law Enforcement Terrorism Prevention Program (LETTP)	97.074	07-169	17,036
Law Enforcement Terrorism Prevention Program (LETTP)	97.074	LETTP 05	25,767
<i>Total Law Enforcement Terrorism Prevention Program</i>			<u>42,803</u>
Buffer Zone Protection Program (BZPP)	97.078	08-093	117,099
Total Department of Homeland Security			<u>1,657,942</u>
 Total Federal Expenditure			 <u>\$ 65,443,013</u>

MULTNOMAH COUNTY, OREGON
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

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, 2010. The County's reporting entity is defined in Note 1 to the County's June 30, 2010 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. 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 passed 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 five 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; \$8,287.

An award from the U.S. General Services Administration provided a deflectometer (CFDA #39.003 – Donation of Federal Surplus Property). The value of the deflectometer was determined by the granting agency; \$49,138.

An award from the Department of Health and Human Services is also in the form of vaccines, specifically for the H1N1 Flu virus, (CFDA #93.069 – Public Health and Emergency Preparedness). The value of the Public Health and Emergency Preparedness award was determined by the granting agency. The amount expended and advanced at June 30, 2010 is calculated on a proportionate basis; \$365,742.

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 Childhood Immunization Grant award was determined by the granting agency. The amount expended and advanced at June 30, 2010 is calculated on a proportionate basis; \$2,433,745.

An award from the Department of Homeland Security provided flood lights (CFDA #97.008 – Non-Profit Security Program). The value of the lights was determined by the granting agency; \$11,935.

MULTNOMAH COUNTY, OREGON
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

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>
Special Projects	11.553	\$ 11,814
Community Development Block Grants/Entitlement Grants	14.218	548,780
Supportive Housing Program	14.235	1,678,986
<i>ARRA - Community Development Block Grant</i>	14.253	73,187
Services for Trafficking Victims	16.320	4,847
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	156,470
Project Safe Neighborhoods	16.609	48,452
<i>ARRA - Public Safety Partnership and Community Policing Grants</i>	16.710	84,593
Reduction and Prevention of Children's Exposure to Violence	16.730	169,946
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	16.736	33,266
Anti-Gang Initiative	16.744	47,949
<i>ARRA - Recovery Act Transitional Housing</i>	16.805	42,629
Safe and Drug Free Schools and Communities State Grants	84.186	40,899
Twenty-First Century Community Learning Centers	84.287	144,663
Community-Based Abstinence Education (CBAE)	93.010	52,203
Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	93.043	38,474
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	207,007
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	984,727
Special Programs for the Aging Title IV and Title III Discretionary Projects	93.048	6,096
National Family Caregiver Support, Title III, Part E	93.052	143,299
Nutrition Services Incentive Program	93.053	434,246
Public Health Emergency Preparedness	93.069	154,851
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087	588,292
Injury Prevention and Control Research and State and Community Based Programs	93.136	57,221
Projects for Assistance in Transition from Homelessness (PATH)	93.150	48,985
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	45,618
Consolidated Health Centers	93.224	114,283
Low-Income Home Energy Assistance	93.568	574,504
Community Services Block Grant	93.569	698,696
Social Services Block Grant	93.667	628,548
<i>ARRA - Aging Home-Delivered Nutrition Services for States</i>	93.705	73,943
<i>ARRA - Aging Congregate Nutrition Services for States</i>	93.707	150,207
<i>ARRA - Community Services Block Grant</i>	93.710	1,008,146
<i>ARRA - Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)</i>	93.724	26,499
HIV Emergency Relief Project Grants	93.914	2,469,535
HIV Prevention Activities_Health Department Based	93.940	17,790
Block Grants for Community Mental Health Svcs	93.958	247,077
Block Grants for Prevention and Treatment of Substance Abuse	93.959	3,323,139
Non-Profit Security Program	97.008	8,975
Department of Homeland Security - Citizen Corps	97.053	9,096
State Homeland Security Program	97.073	39,419
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	12,931
Total Subrecipient pass-through		<u>\$15,250,288</u>

MULTNOMAH COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the Year Ended JUNE 30, 2010

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 no
- Significant deficiencies(s) identified
that are not considered to be
material weaknesses? yes none reported

Noncompliance material to financial
statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiencies (s) identified
that are not considered to be
material weaknesses? 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 no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
16.738	Edward Byrne Memorial Justice Assistance Grant Program
16.804	Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units Of Local Government
20.205	Highway Planning and Construction
81.042	Weatherization Assistance for Low-Income Persons
93.069	Public Health Emergency Preparedness
93.563	Child Support Enforcement
93.667	Social Services Block Grant
93.703	ARRA – Grants to Health Center Programs

MULTNOMAH COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the Year Ended JUNE 30, 2010

Aging Cluster

93.044	Special Programs for the Aging--Title III, Part B--Grants for Supportive Services and Senior Centers
93.045	Special Programs for the Aging--Title III, Part C--Nutrition Services
93.053	Nutrition Services Incentive Program
93.705	ARRA – Aging Home-Delivered Nutrition Services for States
93.707	ARRA – Aging Congregate Nutrition Services for States

Immunization Cluster

93.268	Immunization Grants
93.712	ARRA - Immunization

Dollar threshold used to distinguish between type A and type B programs: \$ 1,963,290

Auditee qualified as low-risk auditee? X yes no

Section II - Financial Statement Findings

FINDING 2010-01 – Depreciation of Right-of-Ways – Significant Deficiency in Internal Control

Criteria: Under generally accounting principles (GAAP), a permanent right-of-way easement is an example of an intangible asset with an indefinite useful life. Intangible assets with indefinite useful lives should not depreciate. In previously issued financial statements, the County was depreciating right-of-ways.

Condition: The County did not have procedures in place to ensure the non-depreciable treatment of right-of-ways.

Context: County assets included \$197.8 million in right-of-ways, as of June 30, 2009, of which \$137.3 million had depreciated. Prior to commencing the 2010 audit, County management identified the error, and took appropriate corrective action.

Effect: The cumulative effect of correcting the previously reported depreciation expense due to right-of-ways was to increase the County’s beginning capital assets and net assets for governmental activities by \$137.3 million. This change increases the governmental activities net assets for the year ended June 30, 2009 by \$4.9 million.

Cause: The County depreciated its road systems, which was a commingling of right-of-ways and infrastructure. While GAAP requires the depreciation of infrastructure, GAAP does not permit the depreciation of right-of-ways.

MULTNOMAH COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the Year Ended JUNE 30, 2010

Recommendation: Prior to audit fieldwork we noted that management corrected this misapplication of GAAP, and implemented procedures treating right-of-ways as non-depreciable assets.

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 2010-02 - Allowable Costs (Payroll) - Significant Deficiency in Internal Controls and Instance of Non-Compliance

Federal Programs: Social Services Block Grant, CFDA 93.667
Weatherization Assistance for Low-Income Persons, CFDA 81.042

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

Award Year: 2009-2010

Criteria: OMB Circular A-87 Cost Principles for State, Local, and Indian Tribe Governments, 2 CRF Part 225, Attachment B Selected Items of Cost, Section 8 Compensation for Personal Services, paragraph (h)(5)(e) states that budget estimates for compensation for personal services or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes provided that at least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made and costs charged to Federal awards reflect adjustments made as a result of the activity actually performed. Those adjustments may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent, otherwise budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Condition: During our testing of payroll for the awards listed above, it was noted that these programs did not perform the annual reconciliation of budgeted payroll expenditures charged to federal awards compared to actual personnel costs expended, nor were those differences adjusted accordingly.

Questioned Costs: None to be reported.

Context: Within both the Social Services Block Grant program and the Weatherization Assistance for Low-Income Persons program, the quarterly time studies required by OMB Circular A-87 were performed. For each of the quarterly time studies, the variance between actual work performed and budgeted amount charged to the grant was less than 10%, so no adjustment was necessary. However, no annual adjustment was made for those individuals where the budgeted amount charged to the grant was more than the actual time worked on the grant. Although the amount does not meet the reporting threshold for questioned costs, this true-up is required under A-87 for entities that charge payroll to federal awards under a budgeted approach.

MULTNOMAH COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the Year Ended JUNE 30, 2010

Effect: By not performing the annual reconciliation between budgeted payroll expenditures charged to a federal award and the actual costs of the payroll expenditures, the federal award(s) could be overcharged.

Cause: Management is fully aware of the requirement to perform this reconciliation, however, due to recent personnel turnover, the delegation of the adjustment between budgeted and actual payroll expenditures was not communicated to the appropriate individual.

Recommendation: Moss Adams recommends that the County delegate responsibility for the annual reconciliation to grant accountant, with an oversight and review process by County management. If differences are noted, adjustments should be made in the accounting system to reflect true costs to the program.

Management's Response: Management's response is included at "Management's Views and Corrective Action Plan"

FINDING 2010-03 - Allowable Costs - Internal Service Charges Instance of Non-Compliance

Federal Programs: Consolidated Health Centers, CFDA 93.224

Federal Agencies: US Department of Health and Human Services

Award Year: 2009-2010

Criteria: OMB Circular A-87 Cost Principles for State, Local, and Indian Tribe Governments, Attachment C State / Local-Wide Central Service Cost Allocation Plans (CAP) provides criteria for charging internal service fund expenses to federal awards which includes: 1) internal service funds are to be disclosed on the Cost Allocation Plan; 2) the internal service fund may maintain a working capital reserve of up to 60 days; and 3) there must be an annual reconciliation of revenues generated to actual costs incurred for determining potential overcharges to federal awards.

Condition: Multnomah County's Cost Allocation Plan did not include all the required disclosures for internal service funds: description of service, balance sheet, revenue / expense statement, transfers, etc. The working capital reserve for the IT Department was not monitored to ensure this balance did not exceed 60 days of working capital. There was no annual reconciliation of IT Department revenue generated to the actual costs incurred for fiscal year 2010.

Questioned Costs: Multnomah County was unable to provide a reconciliation of IT Department revenues to actual costs. Therefore, Moss Adams performed alternate procedures by calculating the IT Department 2010 profit margin and applying this to IT internal service costs charged to the federal award. Based upon this methodology, questioned costs for this program were approximately \$120,000.

Context: Discovery of this non-compliance issue came as the result from performing other audit procedures. An analysis of IT internal service charges charged against federal awards by Multnomah County lead to the isolation of the Consolidated Health Centers program exceeding the reportable threshold. Assessment of the IT Department working capital reserve was calculated to be 37 days as of 6/30/2009 and 83 days as of 6/30/2010.

MULTNOMAH COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the Year Ended JUNE 30, 2010

Effect: The Consolidated Health Centers program has overcharged federal awards for internal service charges, resulting in an instance of non-compliance.

Cause: There appears to be a lack of awareness of the full scope of compliance with federal internal service charge requirements under OMB Circular A-87, Attachment C. In addition, there appears to be a lack of oversight and monitoring for these compliance requirements by the County.

Recommendation: Moss Adams recommends that the County perform the 2010 reconciliation between IT Department internal service costs charged to the Consolidated Health Centers program and the actual cost of the service provided to determine the amount overcharged to the federal award. The amount overcharged should be returned to the awarding agency. In addition, Moss Adams recommends that policies and procedures be designed and implemented to ensure compliance with OMB A-87 requirements for IT Department internal service costs charged to federal awards. We further recommend that the vacant accountant position within the IT Department be filled and this individual be assigned responsibility for compliance requirements, with periodic review by County management.

Management's Response: Management's response is included at "Management's Views and Corrective Action Plan"

FINDING 2010-04 - Eligibility - Significant Deficiency in Internal Control and Instance of Noncompliance

Federal Programs: ARRA Grants to Health Center Programs, CFDA 93.703

Federal Agencies: US Department of Health and Human Services

Award Year: 2009-2010

Criteria: Title 45: Public Welfare, SUBTITLE A--DEPARTMENT OF HEALTH AND HUMAN SERVICES, PART 74--UNIFORM ADMINISTRATIVE REQUIREMENTS, section 74.53, Retention and Access Requirements for Records, states financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report.

Condition: During our testing of eligibility requirements, the County was unable to provide documentation that supported the annual income level of clients for use in determining the Federal Poverty Level (FPL) % and applicable sliding fee for health services rendered. Typically this documentation would take the form of a filed tax return or payroll remittance. We were able to review income levels within the EPIC system to ensure compliance with eligibility requirements; however the supporting documentation was not available to review.

Questioned Costs: None identified.

Context: During our testing of eligibility requirements, supporting documentation for income levels could not be provided for 8 of 25 participants reviewed. Individual / family income is used as a basis to

MULTNOMAH COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the Year Ended JUNE 30, 2010

determine the level of discount that a patient receives. Approved documents to establish income level include tax returns, payroll registers, or other similar documents. This information is input into EPIC which automatically calculates the amount a patient is responsible for. Without copies of the documentation used to establish income level, Moss Adams was unable to verify that the income amount was accurate.

Effect: Without documentation supporting individual / family income levels, discounts given or denied may have been improperly applied.

Cause: County policy is to destroy eligibility documentation after one year. As a result, the County is out of compliance with federal record retention requirements.

Recommendation: We recommend that the County revise their document destruction policy to meet federal requirements of retaining documents for at least three years.

Management's Response: Management's response is included at "Management's Views and Corrective Action Plan"



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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, 2010

FINDING 2010-01 Depreciation of Right of Ways – Significant Deficiency in Internal Control

Upon noting this error, management made the appropriate corrections in the financial statements and provided the auditors with accurate year-end reports and supporting schedules. In addition, management revised the County's capital asset policy to state that right-of-ways are non-depreciable assets. The County is no longer depreciating right-of-ways and has implemented controls in place to ensure proper capital asset accounting and reporting.

FINDING 2010-02 Allowable Costs (Payroll): Significant Deficiency in Internal Controls and Instance of Non-Compliance

Federal Programs: Social Services Block Grant, 93.667, Weatherization Assistance for Low-Income Persons, CFDA 81.042

In response to the 2009 Single Audit, the Commission developed and implemented semi-annual time certifications and quarterly time studies where applicable. Procedures were created that require an annual reconciliation and true-up of actual percentage of time worked to percentage charged via time study results to Federal grants. Although the time studies were successfully performed by the Commission, the annual reconciliation and true-up was not prepared during fiscal year 2010. Management has implemented additional controls to ensure a year-end reconciliation will be prepared by staff to be in full compliance with the time and effort reporting requirements outlined in OMB Circular A-87.

FINDING 2010-03 Allowable Costs: Internal Service Charges Instance of Non-Compliance

Federal Program: Consolidated Health Centers, CFDA 93.224

During the preparation of the County's 2011 Indirect Cost Allocation Plan (CAP), General Ledger noted the 2010 plan did not include the proper disclosures for internal service funds. Therefore, the 2011 CAP was prepared with the required internal service fund disclosures. As we are currently in the process of preparing the County's 2012 CAP, we will be sure to include the necessary internal service fund disclosures and further clarify how the County achieves its adjustments of billed central services. In addition, over the next year we will educate and train internal service providers on the requirements of OMB A-87 and implement procedures in order to comply with these requirements.

The County's IT Department understands the importance of charging allowable costs to the County's Federal awards. During the 2010 Single Audit, IT was able to gain a better understanding of the requirements of OMB A-87. Over the next year, IT will develop a process to review the working capital of the IT fund on a quarterly basis. Any excess working capital reserve (beyond the 60 days) will be further evaluated and IT rates may be adjusted. In addition, IT is currently exploring various options to charge out IT rates to departments. Some of the options include charging actual costs out to County departments and if this method is utilized it will eliminate the need for a reconciliation of actual revenues to actual costs. We will continue to evaluate various options to charge out the IT rates and be cognizant of the requirements of OMB A-87. IT also recognizes the importance of the IT Advisory Board (ITAB) and ITAB's oversight and approval for specific projects funded with dollars specifically approved for the IT Investment and Innovation Fund (and related funding sources). It should be noted that there are a number of other appropriate approval processes for IT projects including the IT budget as it's approved by the Board of County Commissioners on an annual basis. Over the next year IT will develop a policy that will outline the requirement and restrictions on allocating IT fund balance for specific projects along with the appropriate approval process(es). We will further define the role and responsibility of ITAB so that approved ITAB projects can be appropriately earmarked from unrestricted net assets and provide for a clearer operating reserve calculation. We appreciate the recommendation and IT will work towards continuous process improvement over the next year.

FINDING 2010-3 Eligibility: Significant Deficiency in Internal Control and Instance of Noncompliance

Federal Programs: ARRA Grants to Health Center Programs, CFDA 93.703

Management recognizes the importance of adhering to Federal OMB requirements regarding retention and access requirements for records. The Health Department performs eligibility screenings to determine the income level of clients/patients in order to establish a Federal Poverty Level (FPL) for client/patients seeking personal health services. The department screening requires clients/patients to provide a copy of pay check stubs (3 months), employee letter verification, and previous year tax return. Department procedures also require the retention of the financial documentation related to the FPL level determination. In fiscal year 2010 the Eligibility unit of the Health Department took on all eligibility screening responsibilities after the Patient Account Service Office (PASO) was eliminated in the prior year. At the time of transition the policy by the Eligibility unit was to retain screening documentation up to one full fiscal year in order to limit paper storage space at the clinics.

A management review found no indication that the Eligibility unit did not perform the required financial screenings. Management confirmed proper procedural controls are in place to ensure patient income levels are adequately supported. The unit follows well established policies for insurance eligibility verification and has procedures in place to collect and retain financial documentation provided to them, including the clients financial data used to calculate FPL level. Effective immediately the Eligibility unit has changed its retention record requirement from one fiscal year to three fiscal years to comply with Federal OMB requirements. During the October 2010 Eligibility staff meeting program leadership confirmed the process change. The retention procedural change along with periodic reviews from the Health Department Business Services will ensure the proper documentation is collected and retained in the future in-order to comply with Federal grant requirements.



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Summary Schedule of Prior Year Audit Findings and Questioned Costs For the Fiscal Year Ending June 30, 2009

FINDING 2009-1 - Allowable Costs: Payroll Level of Effort Reporting – Significant Deficiencies in Internal Control and Instances of Noncompliance (Repeat Finding)

Federal Programs: Social Services Block Grant, 93.667

Condition: The Commission on Children Families & Community of Multnomah County does not currently require periodic certifications that the employee worked solely on a single Federal award or cost objective. In addition, the Commission does not currently require actual time records, time studies or the equivalent in order to properly allocate actual time to Federal grants. Personnel costs, including benefits, are charged to the Federal grants based on budgeted or estimated amounts. The Commission has not adopted a substitute system as permitted by Circular A-87.

Recommendation: We recommend that the Commission continue to develop and implement a system to track actual personnel compensation for those individuals working on multiple Federal grants. We recommend that those allocations, based on actual amounts, be reflected in the accounting system and properly allocated to the federal grants. We also recommend that for those employees working 100% on Federal awards, the Commission should consistently obtain periodic certifications, at least semi-annually, and that they be signed by the employee or supervisor having first hand knowledge of the work performed by the employee. Finally, we recommend that the County communicate to all the departments the importance of time and effort reporting and ensure all departments are complying with the requirements in OMB Circular A-87.

Status of Finding: *In Progress:* In response to the 2009 Single Audit, the Commission developed and implemented semi-annual time certifications and quarterly time studies where applicable. Procedures were created that require an annual reconciliation and true-up of actual percentage of time worked to percentage charged via time study results to Federal grants. Although the time studies were successfully performed by the Commission, the annual reconciliation and true-up was not prepared during fiscal year 2010. Management has implemented additional controls to ensure a year-end reconciliation will be prepared by staff to ensure full compliance with the time and effort reporting requirements outlined in OMB Circular A-87.

FINDING 2009-2 – Consolidated Health Centers Eligibility - Control Deficiency in Internal Control and Instance of Noncompliance

Federal Program: Consolidated Health Centers, CFDA 93.224

Condition: During our testing of eligibility requirements, the County was unable to provide documentation that supported the annual income level of clients for use in determining the Federal Poverty Level (FPL) % and applicable sliding fee for health services rendered. Typically this documentation would take the form of a filed tax return or payroll remittance. We were able to review income levels within the Epic medical billing system to ensure compliance with eligibility requirements, however the supporting documentation was not available to review.

Recommendation: We recommend that the County provide additional training for those groups performing eligibility determinations, specifically in regards to retaining income documentation.

In addition, Moss Adams recommends that County communicate the importance of following established policies and procedures when obtaining supporting documentation for individual / family income levels.

Status of Finding: *In Progress:* As a result of the 2009 Single Audit, the County's Health Department reorganized certain work units to check for eligibility compliance. Based on a similar finding in the 2010 Single Audit, the Health Department is taking a deeper review of work units and the documentation maintained to support eligibility requirements. Management will implement a record retention policy that complies with the requirements of our grant agreements and code of Federal Regulations.