

MULTNOMAH COUNTY, OREGON

Schedule of Expenditures of Federal Awards and Reports of Independent Certified Public Accountants

For the Fiscal Year Ended June 30, 2007



Prepared by:
Department of County Management
Mindy Harris, Chief Financial Officer
501 SE Hawthorne Blvd, Suite 531
Portland, Oregon 97214

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards and
Reports of Independent Certified Public Accountants
For the Year Ended June 30, 2007
Table of Contents

	<u>Pages</u>
Report of Independent Certified Public Accountants on the County's Compliance And Internal Control Over Financial Reporting Based on an Audit of the Basic Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i>	1-2
Report of Independent Certified Public Accountants on the County's Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	3-4
Schedule of Expenditures of Federal Awards	5-10
Notes to Schedule of Expenditures of Federal Awards	11-12
Schedule of Findings and Questioned Costs	13-18

www.mossadams.com

**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 accompanying 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, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 21, 2007. That report states that we did not audit the financial statements of The Library Foundation, a discretely presented component unit, which were audited by other auditors, and that our opinion, insofar as it relates to the amounts included for The Library Foundation, is based solely on the report of 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.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

www.mossadams.com

We consider the deficiency 2007-01 described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over the financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

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, grant agreements and other matters, 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 separate letters dated November 21, 2007.

The 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 it.

This report is intended solely for the information and use of the audit committee, management, the Board of County Commissioners and the Secretary of State, Divisions of Audits, of the State of Oregon 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 21, 2007

www.mossadams.com

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO 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 (County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. 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 questions costs as items 2007-02, 2007-03 and 2007-04.

INTERNAL CONTROL OVER COMPLIANCE

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

www.mossadams.com

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2007-02 and 2007-04 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The County's response to the findings 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 it.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the basic financial statements of the County as of and for the year ended June 30, 2007, and have issued our report thereon dated November 21, 2007. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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
January 17, 2008, except for
the Schedule of Expenditure of
Federal Awards, which is dated November 21, 2007

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2007

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 Administrative Services:			
Schools and Roads Grants to States	10.665	PL 106-393	\$ 1,043,318
Passed Through State Department of Education:			
Food Donation	10.550	2613007	4,446
School Breakfast Program	10.553	2613007	58,653
National School Lunch Program	10.555	2613007	105,400
Passed Through State Department of Human Services:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	1936002309	2,342,736
WIC Grants to States (WGS)	10.578	1936002309	7,752
State Administrative Matching Grants for Food Stamp Program	10.561	1936002309	1,292,562
Total Department of Agriculture			<u>4,854,867</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Community Development Block Grants/Entitlement Grants	14.218		207,870
Supportive Housing Program	* 14.235		1,945,217
Healthy Homes Demonstration Grants	14.901		358,568
Passed Through City of Portland-Bureau of Community Development:			
Housing Opportunities for Persons with AIDS	14.241	37470	3,331
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	35679	11,252
Passed Through City of Portland-Water Bureau:			
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	36728	120,051
Passed Through Housing Authority of Portland:			
HOME Investment Partnerships Program	14.239	936002309	27,135
HOME Investment Partnerships Program	14.239	936002309	32,510
Passed Through State Department of Human Resources:			
Housing Opportunities for Persons with AIDS	14.241	1936002309	32,618
Total Department of Housing and Urban Development			<u>2,738,552</u>
<u>U.S. Department of Interior</u>			
Direct Programs:			
Payment in Lieu of Taxes	15.226		15,260
Distribution of Receipts to State and Local Governments	15.227		1,248,410
Total Department of Interior			<u>1,263,670</u>
<u>U.S. Department of Justice</u>			
Direct Programs:			
Services for Trafficking Victims	16.320		107,730
Supervised Visitation, Safe Havens for Children	16.527		206,722
Corrections and Law Enforcement Family Support	16.563		63,184

* Indicates a Major Program

(continued)

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
(continued)

Grantor and Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Justice</u> (continued):			
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590		159,788
Community Capacity Development Office	16.595		468,073
State Criminal Alien Assistance Program	16.606		333,267
Bulletproof Vest Partnership Program	16.607		19,545
Community Prosecution and Project Safe Neighborhoods	16.609		153,533
Reduction and Prevention of Children's Exposure to Violence	16.730		167,294
Anti-Gang Initiative	16.744		176,871
Passed Through City of Portland Bureau of Police:			
Public Safety Partnership and Community Policing Grants	16.710	2006CKw0500	43,875
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-F3851-OR-DJ	326,433
Passed Through SE Uplift:			
Community Capacity Development Office	16.595	Multnomah County	27,893
Passed Through Oregon Department of Corrections:			
Prisoner Reentry Initiative Demonstration	16.202	1936002309	3,750
Passed Through State Department of Justice:			
Crime Victim Assistance	16.575	04-2266/05-2440	135,691
Passed Through State Police:			
Juvenile Accountability Incentive Block Grants	16.523	03-659/04-625	140,176
Violence Against Women Formula Grants	16.588	04-761/05-761	35,200
Byrne Memorial Formula Grant Program	16.579	03-049	37,974
Total Department of Justice			2,606,999
<u>U.S. Department of Labor</u>			
Passed Through Worksystems, Inc.:			
WIA Pilots, Demonstrations, and Research Projects	17.261	FY-14836-05-06	94,917
Total Department of Labor			94,917
<u>U.S. Department of Transportation</u>			
Passed Through Oregon Sheriff's Association, Inc.:			
Occupant Protection	20.602	Multnomah County	24,906
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	Multnomah County	7,616
Passed Through State Department of Transportation:			
Highway Planning and Construction	* 20.205	1936002309	2,625,444
Total Department of Transportation			2,657,966
<u>Federal Mediation and Conciliation Services</u>			
Direct Programs:			
Labor Management Cooperation	34.002		60,154
Total Federal Mediation and Conciliation Services			60,154

* Indicates a Major Program

(continued)

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
(continued)

Grantor and Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>Institute of Museum and Library Services</u>			
Passed Through Oregon State Library:			
Grants to States	45.310	05-5-6P	14,572
Grants to States	45.310	05-05-1P	25,484
Grants to States	45.310	06-06-P5	42,607
Grants to States	45.310	05-0-1/06-01-1	335,319
Total Institute of Museum and Library Services			<u>417,982</u>
<u>National Endowment for the Humanities</u>			
Direct Programs:			
Promotion of the Humanities Public Programs	45.164		<u>2,000</u>
Total National Endowment for the Humanities			<u>2,000</u>
<u>U.S. Environmental Protection Agency</u>			
Direct Programs:			
Brownsfield Assessment and Cleanup Cooperative Agreement	66.818		138,391
Passed Through National Association of Counties			
Surveys, Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	NACORF-EPA	5,000
Passed Through State Department of Human Resources:			
State Public Water System Supervision	66.432	1936002309	5,700
Capitalization Grants for Drinking Water State Revolving Funds	66.468	1936002309	4,835
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707	1936002309	14,676
Surveys, Studies, Training Demonstrations and Educational Outreach	66.716	1936002309	9,997
Total U.S. Environmental Protection Agency			<u>178,599</u>
<u>U.S. Department of Energy</u>			
Passed Through Oregon Housing and Community Services:			
Weatherization Assistance for Low-Income Persons	81.042	210009	<u>495,248</u>
Total Department of Energy			<u>495,248</u>
<u>U.S. Department of Education</u>			
Passed Through Oregon Department of Education:			
Twenty-First Century Community Learning Centers	84.287	02-21CCLC	664,201
Passed Through Oregon Department of Human Resources:			
Safe and Drug Free Schools and Communities State Grants	84.186	1936002309	100,000
Passed Through Portland Community College:			
Adult Education State Grant Program	84.002	0410557-2	<u>18,645</u>
Total Department of Education			<u>782,846</u>

(continued)

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
(continued)

Grantor and Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>Elections Assistance Commission</u>			
Passed Through Oregon Secretary of State:			
Help America Vote Requirements Payments	90.401	1936002309	2,264
Total Elections Assistance Commission			2,264
<u>U.S. Department of Health & Human Services</u>			
Direct Programs:			
Community-Based Abstinence Education (CBAE)	93.010		386,776
Injury Prevention and Control Research and State and Community Based Programs	93.136		498,461
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		6,634,941
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		1,065,376
Drug Abuse and Addiction Research Programs	93.279		63,621
Centers for Disease Control and Prevention Investigations and Technical Assistance	* 93.283		128,875
Refugee and Entrant Assistance Discretionary Grants	93.576		150,000
Health Care and Other Facilities	93.887		133,926
HIV Emergency Relief Project Grants	93.914		3,256,555
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918		827,945
Healthy Start Initiative	93.926		904,411
Special Projects of National Significance	93.928		182,977
Passed Through John Hopkins University:			
Nursing Research	93.361	1936002309	12,998
Passed Through Mount Hood Community College Head Start:			
Head Start	93.600	0210115-5	55,941
Passed Through National Association of City and County Health Officials:			
Centers for Disease Control and Prevention Investigations and Technical Assistance	* 93.283	2007-050201	21,205
Passed Through NW Family Services:			
Healthy Marriage Promotion and Responsible Fatherhood	93.086	90FE0079	162,581
Passed Through Oregon Association of Hospitals and Health Systems:			
National Bioterrorism Hospital Preparedness Program	93.889	Multnomah	67,647
Passed Through Oregon Commission on Children and Families:			
Promoting Safe and Stable Families	93.556	1936002309	192,324
Child Care and Development Block Grant	93.575	1936002309	309,175
Social Services Block Grant	93.667	1936002309	804,517

(continued)

* Indicates a Major Program

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
(continued)

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 Housing and Community Services:			
Temporary Assistance for Needy Families	93.558	0310559	127,897
Low-Income Home Energy Assistance	* 93.568	0310559	4,251,999
Community Services Block Grant	93.569	0310559	800,206
Passed Through Oregon Health Sciences University:			
Ryan White HIV/AIDS Dental Reimbursements / Community Based Partnerships	93.924	GPBH0012A©	14,211
Maternal and Child Health Services Block Grant to the States	93.994	4 B04MC06604-01-03	126,455
Passed Through State Department of Human Resources:			
Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect and Exploitation	93.041	1936002309	13,692
Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	93.043	1936002309	40,341
Special Programs for the Aging Title III, Part B Grants for Supportive Services & Senior Centers	93.044	1936002309	834,277
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	1936002309	906,801
Special Programs for the Aging Title IV and Title III Discretionary Projects	93.048	1936002309	53,682
National Family Caregiver Support	93.052	1936002309	246,036
Nutrition Services Incentive Program	93.053	1936002309	366,212
Project Grants & Cooperative Agreements for Tuberculosis Control Programs	93.116	1936002309	151,879
Projects for Assistance in Transition From Homelessness (PATH)	93.150	1936002309	235,348
Surveillance of Hazardous Substance Emergency Kits	93.204	1936002309	1,000
Family Planning Services	93.217	1936002309	258,257
Abstinence Education Program	93.235	1936002309	75,259
Immunization Grants	93.268	1936002309	1,740,997
Centers for Disease Control and Prevention Investigations and Technical Assistance	* 93.283	1936002309	965,143
Temporary Assistance for Needy Families	93.558	1936002309	342,112
National Bioterrorism Hospital Preparedness Program	93.889	1936002309	337,958
HIV Care Formula Grants	93.917	1936002309	26,567
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	1936002309	60,088
HIV Prevention Activities Health Department Based Syndrome (AIDS) Surveillance	93.940	1936002309	550,809
Block Grants for Community Mental Health Services	93.944	1936002309	109,561
Block Grants for Community Mental Health Services	93.958	1936002309	650,253
Block Grant for Prevention and Treatment of Substance Abuse	* 93.959	1936002309	4,151,028
Maternal and Child Health Services Block Grant to the States	93.994	1936002309	422,574

(continued)

* Indicates a Major Program

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
(continued)

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 Department of Justice:			
Child Support Enforcement	* 93.563	1936002309	1,660,576
Passed Through Oregon Research Institute:			
Alcohol Research Programs	93.273	R01AA11510	218,263
Cancer Cause and Prevention Research	93.393	RO CA086169	49,534
Passed Through Portland State University:			
Injury Prevention and Control Research and State and Community Based Programs	93.136	CDC sub050139 MCHD	282,585
Passed Through University of California:			
Drug Abuse and Addiction Research Programs	93.279	2000 G FN565	130,915
Passed Through University of Washington:			
AIDS Education and Training Centers	93.145	269812	96,751
Passed Through Washington State Department of Health:			
Centers for Disease Control and Prevention Investigations and Technical Assistance	* 93.283	N15002	77,949
Total Department of Health and Human Services			<u>36,237,467</u>
<u>US Department of Homeland Security</u>			
Passed Through City of Portland Department of Emergency Communications:			
Urban Area Security Initiative	97.008	52304	39,401
Passed Through City of Portland Department of Fiscal Administration:			
State Homeland Security Program (SHSP)	97.073	52151	26,709
Passed Through Oregon State Police:			
State Homeland Security Program (SHSP)	97.073	1936002309	142,415
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	1936002309	36,397
Emergency Management Performance Grants	97.042	1936002309	145,251
Passed Through Oregon State Marine Board:			
Boating Safety Financial Assistance	97.012	1936002309	686,442
Passed Through United Way:			
Emergency Food and Shelter National Board Program	97.024	708000-009	564,620
Total Department of Homeland Security			<u>1,641,235</u>
<u>Other Federal Assistance (No CFDA)</u>			
<u>Department of Agriculture</u>			
Direct Programs:			
Operation TALON	10.936002309		5,000
Total Other Federal Assistance			<u>5,000</u>
Total Federal Expenditures			<u><u>\$ 54,039,766</u></u>

* Indicates a Major Program

MULTNOMAH COUNTY, OREGON
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

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, 2007. The County's reporting entity is defined in Note 1 to the County's June 30, 2007 basic financial statements.

Note B – Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using a basis of accounting which is consistent with the basic financial statements, as described in Note 1 to the County's basic financial statements.

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 – Noncash Awards

The accompanying Schedule of Expenditures of Federal Awards includes two noncash awards.

An award from the State Department of Education provides food donations (CFDA #10.550 – Food Donation) for the Juvenile Detention Center. The value of the food is determined by the Grantor.

An award from the Department of Health and Human Resources is in the form of 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, 2007 is calculated on a proportionate basis.

MULTNOMAH COUNTY, OREGON
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Note E - Subrecipients

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

Program Title	Federal CFDA number	Amount provided to subrecipients
Community Development Block Grants/Entitlement Grants	14.218	\$ 178,023
Supportive Housing Program	14.235	1,563,092
Supervised Visitation, Safe Havens for Children	16.527	143,429
Corrections and Law Enforcement Family Support	16.563	15,000
Byrne Formula Grant Program	16.579	21,750
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	100,239
Community Capacity Development Office	16.595	467,651
Anti-Gang Initiative	16.744	65,728
Reduction and Prevention of Children's Exposure to Violence	16.730	141,025
Twenty-First Century Community Learning Centers	84.287	606,228
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	266,869
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	900,907
Special Programs for the Aging Title IV and Title II Discretionary Projects	93.048	51,692
National Family Caregiver Support	93.052	97,175
Nutrician Services Incentive Program	93.053	366,212
Injury Prevention and Control Research and State and Community Based Programs	93.136	79,221
Projects for Assistance in Transition From Homelessness (PATH)	93.150	207,202
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	32,379
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	608,486
Alcohol Research Programs	93.273	4,398
Drug Abuse Research Programs	93.279	50,000
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	13,239
Temporary Assistance for Needy Families	93.558	377,234
Low-Income Home Energy Assistance Program	93.568	415,864
Community Services Block Grant	93.569	625,014
Social Services Block Grant	93.667	490,047
HIV Emergency Relief Project Grants	93.914	2,457,617
Healthy Start Initiative	93.926	11,502
Special Programs of National Significance	93.928	38,310
HIV Prevention Activities Health Department Based	93.940	287,299
Block grant for Community Mental Health Services	93.958	322,896
Block Grants for Prevention and Treatment of Substance Abuse	93.959	3,473,726
Urban Area Security Initiative	97.008	14,582
Emergency Food and Shelter National Board Program	97.024	552,770
State Homeland Security Program (SHSP)	97.073	84,769
Total subrecipient pass-through		<u>\$ 15,170,049</u>

MULTNOMAH COUNTY, OREGON
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

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 that are not considered to be material weaknesses? X yes _____ no

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 that are not considered to be material weaknesses? 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? X yes _____ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.235	Supportive Housing Program
20.205	Highway Planning & Construction
93.283	Centers for Disease Control
93.563	Child Support Enforcement Program
93.568	Low-Income Energy Assistance program
93.959	Block Grant for Treatment of Substance Abuse

Dollar threshold used to distinguish between type A and type B programs: \$ 1,621,193

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

MULTNOMAH COUNTY, OREGON
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Section II - Financial Statement Findings

Finding 2007-01 Lack of Timely and Frequent Reconciliations

During our testing of accounts receivable it came to our attention that reconciliations between the accounting software used in the Health Department (EPIC) and the financial accounting software used by the County for financial reporting purposes (SAP) are not performed on a timely basis. EPIC is the original point of entry for financial information regarding patient visits in the Health Department. Journal entries are then prepared to transfer the information to SAP, which is the source of the information in the annual financial report. Therefore reconciliations between the two systems is an important internal control over financial reporting. In the prior year we recommended at least quarterly reconciliations be performed. We found there was only one reconciliation performed for the year as of June 30, 2007, and correcting entries were required to be made. According to the County, lack of staff resources is why the reconciliations were not completed. We believe the lack of a more frequent reconciliation could result in more than an inconsequential error in the general ledger that would not be discovered timely by employees performing their normal duties.

Recommendation

We recommend performing reconciliations at least quarterly, within a month of the end of each quarter. These reconciliations should be reviewed by Health Department management for accuracy.

Management's Response

In fiscal year 2007, the EPIC to SAP reconciliation was not completed quarterly as anticipated, but rather reconciled once at year-end. Health Department staff turnover and a short supply of replacement staff skilled in SAP and EPIC contributed to the delay and errors in the reconciliation. Maintaining an accurate and timely reconciliation is a high priority for the Health Department. Therefore, one position within the Department will be assigned the primary responsibility for performing the reconciliation of EPIC to SAP monthly, appropriately documenting the process and continuing to refine it. In addition, corrections and adjustments will be posted to the general ledger at least quarterly so that discrepancies do not become errors. Health Department management will review and approve these adjustments in ensure the reconciliations are accurate and timely.

Section III - Federal Award Findings and Questioned Costs

FINDING 2007-02 Allowable Costs: Payroll Level of Effort Reporting – Significant Deficiencies in Internal Control and Instances of Noncompliance

Federal Program: Supportive Housing Program, CFDA #14.235
Centers for Disease Control, CFDA #93.283
Low-Income Home Energy Assistance Program, CFDA #93.568
Block Grant for Treatment of Substance Abuse, CFDA #93.959

Federal Agency:

U.S. Department of Housing and Urban Development, U.S. Department of Health and Human Services

Award Year: 2006-2007

Criteria:

Per OMB Cost Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, 2 CFR Part 225, Appendix B, paragraph 8(h)(3) states where employees are expected to work solely

MULTNOMAH COUNTY, OREGON
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. In addition, paragraph 8(h)(4) states where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8 (h)(5), such as after-the-fact distribution of the actual activity, account for total activity in which the employee was compensated and must be prepared monthly and signed by the employee. Paragraph 8 (h)(5)(e) goes on to state that budget estimates 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 account purposes if the estimates produce reasonable approximation of the activity actually performed, if quarterly comparisons are made of actual to budgeted costs and the budgeted estimates are revised quarterly, to reflect changed circumstances. Paragraph 8 (h)(6) goes on to state that substitute systems for allocating salaries and wages to Federal awards are acceptable, but are subject to approval by cognizant agency.

Condition:

The County does not currently require periodic certifications that the employee worked solely on a single Federal award or cost objective. In addition, the County 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 County has not adopted a substitute system as permitted by Circular A-87.

Questioned Costs:

Initial questioned costs for payroll allocation were approximately \$624,000. Specifically, initial questioned costs for each program were as follows: approximately \$21,000 for the Supportive Housing Program, \$490,000 for the Centers for Disease Control, \$46,000 for the Low Income Energy Assistance Program and \$67,000 for the Block Grant for Treatment of Substance Abuse. We did not question costs for those employees working solely on a single Federal award, as we obtained job descriptions, time cards and reviewed other supporting documentation to substantiate those costs. However, periodic certifications were not obtained, which we will address in our recommendation. The County is currently obtaining training on Time and Effort Reporting for federal programs. Based on that training, the County will implement a process to review actual to budget payroll costs and based on this review, we expect the actual questioned costs to be significantly lower than this initial amount.

Context:

The County requires semi-monthly timesheets that are certified by supervisors. However, employees are not currently required to record their actual time per program or activity. Instead these forms are used to track days off due to vacation or sickness. Budgeted amounts are used to charge payroll costs to the individual Federal grant. In addition, for those employees that work solely on a single Federal award, there are no periodic certifications signed by the employee or supervisor having first hand knowledge of the work performed by the employee.

Effect:

Personnel costs charged to the Federal grant are not adequately supported per OMB Circular A-87 and may not be reflective of the personnel costs actually attributable to the program.

MULTNOMAH COUNTY, OREGON
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Cause:

Timesheets that record actual program time incurred, time studies, or the equivalent are not utilized. Periodic certifications for employees working solely on single Federal awards are not being obtained.

Recommendation:

We recommend that the County develop and implement a system to track actual personnel compensation by program for those individuals working on multiple Federal grants. Further, while initial allocations may be made based on budget estimates, we recommend that the County revise its processes so that adjustments are made to reflect actual payroll costs by program on at least a quarterly basis to enable proper allocations to each Federal grant. We also recommend that for those employees working on Federal awards, the County should obtain periodic employee certifications, at least semi-annually, signed by the employee or supervisor having first hand knowledge of the work performed by the employee.

Management's Response:

Management understands the importance of accurately accounting, tracking and documenting actual personnel costs, therefore, Department grant accountants and supervisors recently attended a training course on time and effort reporting for Federal grants. Due to the wide array of services provided by multiple County departments, procedures and processes to track and record time worked on grants may vary across the County. Management is currently reviewing existing department practices to track, account for and support payroll costs charged to Federal grants. We will develop procedures and processes that will be in compliance with the Federal rules and guidelines for payroll costs charged to grants. For those grants which are divided among multiple County departments, management will institute a consistent County-wide process to allocate and support the applicable payroll costs. In addition, periodic time certifications will be performed and documented for those employees working solely on a single grant activity.

FINDING 2007-03 Eligibility – Instance of Noncompliance

Federal Program: Low-Income Home Energy Assistance Program, CFDA #93.568

Federal Agency: U.S. Department of Health and Human Services

Award Year: 2006-2007

Criteria:

Per OMB Circular A-133 Compliance Supplement for the Low-Income Home Energy Assistance Program, grantees may provide assistance to: (a) households in which one or more individuals are receiving Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), Food Stamps, or certain needs-tested veterans benefits; or (b) households with incomes which do not exceed the greater of 150 percent of the State's established poverty level, or 60 percent of the State median income. Grantees may establish lower income eligibility criteria, but no household may be excluded solely on the basis of income if the household income is less than 110 percent of the State's poverty level. Grantees may give priority to those households with the highest home energy costs or needs in relation to income (42 USC 8624(b)(2)).

MULTNOMAH COUNTY, OREGON
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Condition:

Weatherization program staff has procedures in place to verify applicant information. However, during testing we noted that one out of the five applications sampled did not have an income verification completed, though the proper documents were filed. Therefore, the person did not meet the eligibility requirements to receive Weatherization awards.

Questioned Costs: None to be reported.

Context:

There are two programs housed under Low-Income Home Energy Assistance: Home Energy Assistance and Weatherization programs. The applicant in question was already receiving Home Energy Assistance funding, when they applied for Weatherization assistance. It appears that though the Weatherization staff member who took this application received proof of income from the applicant, they instead relied on the determination of the Home Energy Assistance program. However, when this application was taken, it was not the practice of the Home Energy Assistance program to require income proof for all participants because subrecipients were contracted to determine eligibility. Instead, the Home Energy Assistance program staff performed subrecipient monitoring of eligibility, performing regular spot checks, only. In the year under audit, this practice was changed.

Effect: The applicant received Weatherization assistance for which they were not entitled.

Cause: The Weatherization program staff did not perform an income eligibility determination.

Recommendation:

We recommend that income eligibility calculations are performed on all weatherization applications, regardless of applicants' eligibility determination by another program.

Management's Response:

Upon management's investigation, it became clear that there was some confusion among Weatherization staff regarding the income verification process. The staff understood that approval for LIEAP assistance would suffice for Weatherization approval. Management has instructed all Weatherization staff that an independent income verification must be completed on all Weatherization applicants, regardless of assistance approval from any other program. Moving forward, income verifications are being done for each Weatherization applicant.

FINDING 2007-4 Allowable Costs – Fraud, Significant Deficiency in Internal Controls and Instance of Noncompliance

Federal Program: Centers for Disease Control, CFDA #93.283

Federal Agency: U.S. Department of Health & Human Services

Award Year: 2006-2007

Criteria:

OMB Circular – Compliance Supplement, Section B, Allowable Costs/Costs Principles states that costs charged to the federal grant must be reasonable and necessary for the performance and administration of the award.

MULTNOMAH COUNTY, OREGON
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Condition:

From March 2006 to August 2007, a County employee embezzled Federal funds from a petty checking account. The funds were intended to be used to issue checks to clients in exchange for completing a survey. The employee issued checks to herself from this account and created fraudulent client names for the check register, passing them off as client payments. The fraud was eventually detected by a program manager during budget development. The County performed an investigation, and the internal controls over petty checking accounts within the Health Department have been revised.

Questioned Cost:

Initial questioned costs of \$38,960; however, the County has paid those funds back to the Federal awarding agency.

Context:

During the 18 months of theft, there were 5 different supervisors responsible for monitoring the employee's work. There were no check signing controls in place and the employee had complete control over the petty cash checkbook.

Effect:

The theft resulted in a total of 781 checks written to the employee, all issued for \$50 or less, for a total loss of funds of \$38,960.

Cause:

The County performed an inadequate review of the check register detail. In addition there were improper controls over the check signing procedures. During the 18 months of theft, there were 5 different supervisors responsible for monitoring the employee's work.

Recommendation:

We recommend the continued implementation of revised internal controls over petty checking and petty cash accounts in the Health Department. We also recommend the review of internal controls in all petty checking accounts across Multnomah County to ensure proper segregation of duties and monitoring.

Management's Response:

The County is making a number of changes to bank accounts in the Health Department's name, including strengthening internal controls, offering training and implementing an internal audit function. Strengthening internal controls includes eliminating single signer accounts and requiring two signatures on all accounts. All checking accounts will have check copies returned to Health Department Business Services along with the bank statement. Petty cash custodians, alternates and account supervisors will be required to attend formal petty cash training. Management will perform internal audits of all petty cash drawers or checking accounts, which will include physical verification of internal controls and compliance with County cash handling policies and procedures. Any instances of account abnormalities (overdraft, high-volume un-cashed checks, or changes in account activity) will flag the account and it will be forwarded to the Business Services Director to initiate an internal review by the Department. Any flagged bank accounts will be frozen without replenishment and no changes will be allowed until the internal review has been completed.