

REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of County Commissioners
Multnomah County, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the respective budgetary comparisons for the General Fund and the Federal and State Program Fund of Multnomah County, Oregon (the County) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 8, 2013. Our report includes a reference to other auditors who audited the financial statements of The Library Foundation, as described in our report on the County's financial statements. The financial statements of the Library Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with The Library Foundation.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2013-01 and 2013-02 that we consider to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The County's Response to Findings

The County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Moss Adams, LLP".

Eugene, Oregon
November 8, 2013

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Board of County Commissioners
 Multnomah County, Oregon

Report on Compliance for Each Major Federal Program

We have audited Multnomah County's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

MOSS ADAMS_{LLP}

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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-03 and 2013-04 that we consider to be significant deficiencies.

The County's response to the internal control over compliance findings identified in our audit are described in the accompanying Management's Views and Corrective Action Plan to Current Year Audit Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Eugene, Oregon
November 8, 2013

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2013

CFDA	*/A	Program Title	Grantor	Pass-Through Entity Number	Direct Expenditures	Pass-Through Expenditures	Total Federal Expenditures
DEPARTMENT OF AGRICULTURE							
10.170		Specialty Crop Block Grant Program - Farm Bill	OREGON PHYSICIANS FOR SOCIAL RESPON		-	9,004	9,004
10.553		School Breakfast Program	DEPARTMENT OF AGRICULTURE	2613007	-	56,928	56,928
10.555		National School Lunch Program	DEPARTMENT OF AGRICULTURE	2613007	-	115,977	115,977
			<i>Total Child Nutrition Cluster</i>		-	172,906	172,906
10.557		Special Supplemental Nutrition Program for Women, Infants, and Children	DEPARTMENT OF AGRICULTURE	1936002309	-	3,097,425	3,097,425
10.561		State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	DEPARTMENT OF AGRICULTURE		-	29,563	29,563
10.578		WIC Grants To States (WGS)	DEPARTMENT OF AGRICULTURE	1936002309	-	88,419	88,419
10.665		Schools and Roads - Grants to States	US FOREST SERVICE		-	244,617	244,617
TOTAL DEPARTMENT OF AGRICULTURE					-	3,641,933	3,641,933
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
14.218		Community Development Block Grants/Entitlement Grants	DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		271,978	-	271,978
14.218		Community Development Block Grants/Entitlement Grants	PORTLAND CITY OF	30000598	-	273,600	273,600
			<i>Total CDBG</i>		271,978	273,600	545,578
14.231		Emergency Solutions Grant Program	DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	E-11-DC-41-0001	-	28,563	28,563
14.231		Emergency Solutions Grant Program	DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	E-12-DC-41-001	-	102,889	102,889
			<i>Total Emergency Solutions</i>		-	131,452	131,452
14.235		Supportive Housing Program	DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		2,120,724	-	2,120,724
14.239		Home Investment Partnerships Program	PORTLAND CITY OF	14.239	-	8,334	8,334
14.239		Home Investment Partnerships Program	PORTLAND CITY OF	7multn02	-	123,124	123,124
			<i>Total Home Investment PP</i>		-	131,458	131,458
14.241		Housing Opportunities for Persons with AIDS	PORTLAND CITY OF	300001954	-	41,448	41,448
14.901		Healthy Homes Demonstration Grants	DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		282,010	-	282,010
14.913		Healthy Homes Production Grant Program	PORTLAND CITY OF	1011165	-	25,208	25,208
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					2,674,712	603,166	3,277,878

* Indicates A Major Program
A Program includes ARRA Funding

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2013

CFDA	* / A	Program Title	Grantor	Pass-Through Entity Number	Direct Expenditures	Pass-Through Expenditures	Total Federal Expenditures
DEPARTMENT OF INTERIOR							
15.226		Payment in Lieu of Taxes	DEPARTMENT OF THE INTERIOR		26,662		26,662
15.227		Distribution of Receipts to State and Local Governments	DEPARTMENT OF THE INTERIOR				
					228,988		228,988
15.809		National Spatial Data Infrastructure Cooperative Agreements Program	DEPARTMENT OF THE INTERIOR		5,974	-	5,974
TOTAL DEPARTMENT OF THE INTERIOR					261,624	-	261,624
DEPARTMENT OF JUSTICE							
16.203		Promoting Evidence Integration in Sex Offender Management Discretionary Grant Program	DEPARTMENT OF JUSTICE		15,113	-	15,113
16.320		Services for Trafficking Victims	DEPARTMENT OF JUSTICE		70,294	-	70,294
16.523		Juvenile Accountability Block Grants	DEPARTMENT OF JUSTICE	2008-6362	-	110,818	110,818
16.527		Supervised Visitation, Safe Havens for Children	DEPARTMENT OF JUSTICE		87,890	-	87,890
16.540		Juvenile Justice and Delinquency Prevention _Allocation to States	DEPARTMENT OF JUSTICE	FG2008/FG2008-11	-	33,936	33,936
16.543		Missing Childrens Assistance	DEPARTMENT OF JUSTICE		55,070	-	55,070
16.575		Crime Victim Assistance	DEPARTMENT OF JUSTICE	08-3205/09-3437	-	261,964	261,964
16.585		Drug Court Discretionary Grant Program	DEPARTMENT OF JUSTICE		66,661	-	66,661
16.588		Violence Against Women Formula Grants	DEPARTMENT OF JUSTICE	09-VAWA-3229	-	78,750	78,750
16.590		Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	DEPARTMENT OF JUSTICE		418,623	-	418,623
16.590 A		Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	DEPARTMENT OF JUSTICE	ARRA	44,150	-	44,150
			<i>Total GEAPEPO</i>		<i>462,773</i>	<i>-</i>	<i>462,773</i>
16.606		State Criminal Alien Assistance Program	DEPARTMENT OF JUSTICE		230,003	-	230,003
16.607		Bulletproof Vest Partnership Program	DEPARTMENT OF JUSTICE		24,838	-	24,838
16.609		Project Safe Neighborhoods	DEPARTMENT OF JUSTICE		37,632	-	37,632
16.730		Reduction and Prevention of Childrens Exposure to	DEPARTMENT OF JUSTICE		203,403	-	203,403
16.736		Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	DEPARTMENT OF JUSTICE				
					75,421	-	75,421
16.752		Economic High-Tech and Cyber Crime Prevention	PORTLAND CITY OF BUREAU OF POLICE	1112156	-	43,574	43,574
16.753		Congressionally Recommended Awards	DEPARTMENT OF JUSTICE		97,437	-	97,437

* Indicates A Major Program

A Program includes ARRA Funding

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2013

CFDA	*A	Program Title	Grantor	Pass-Through Entity Number	Direct Expenditures	Pass-Through Expenditures	Total Federal Expenditures
DEPARTMENT OF JUSTICE (continued)							
16.738	*	Edward Byrne Memorial Justice Assistance Grant Program	DEPARTMENT OF JUSTICE	1936002309	-	556,150	556,150
16.738	*	Edward Byrne Memorial Justice Assistance Grant Program	DEPARTMENT OF JUSTICE	2009-0552	-	221,208	221,208
16.738	*	Edward Byrne Memorial Justice Assistance Grant Program	DEPARTMENT OF JUSTICE	RE026-09JAG	-	273,280	273,280
16.803	*A	Recovery Act - Eward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	DEPARTMENT OF JUSTICE	ARRA 1936002309	-	1,010,769	1,010,769
16.803	*A	Recovery Act - Eward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	DEPARTMENT OF JUSTICE	ARRA DC026-13	-	228,164	228,164
	*		<i>Total JAG Cluster</i>		-	2,289,571	2,289,571
16.812		Second Chance Act Prisoner Reentry Initiative	DEPARTMENT OF JUSTICE		39,216	-	39,216
16.812		Second Chance Act Prisoner Reentry Initiative	DEPARTMENT OF JUSTICE	2010-CZ-BX-003	-	63,745	63,745
			<i>Total Second Chance Act Prisoner Reentry Initiative</i>		39,216	63,745	102,961
16.817		Byrne Criminal Justice Innovation Program	DEPARTMENT OF JUSTICE		150,485	-	150,485
16.922		Equitable Sharing Program	DEPARTMENT OF JUSTICE		67,543	-	67,543
TOTAL DEPARTMENT OF JUSTICE					1,683,779	2,882,358	4,566,137
DEPARTMENT OF TRANSPORTATION							
20.205	*	Highway Planning and Construction	DEPARTMENT OF TRANSPORTATION		-	841,159	841,159
20.205	*	Highway Planning and Construction	DEPARTMENT OF TRANSPORTATION	1936002309	-	932,129	932,129
	*		<i>Total Highway Planning and Construction</i>		-	1,773,288	1,773,288
20.232		Commercial Drivers License Program Improvement Grant	DEPARTMENT OF TRANSPORTATION	1936002309	-	64,770	64,770
20.600		State and Community Highway Safety	ALLIANCE FOR COMM TRAFFIC SAFETY IN		-	1,663	1,663
20.933	*	National Infrastructure Investments	OREGON DEPARTMENT OF TRANSPORTATION		-	576,617	576,617
TOTAL DEPARTMENT OF TRANSPORTATION					-	2,416,338	2,416,338
NATIONAL ENDOWMENT FOR HUMANITIES							
45.164		Promotion of the Humanities_Public Programs	NATIONAL ENDOWMENT FOR HUMANITIES		-	2,500	2,500
TOTAL NATIONAL ENDOWMENT FOR HUMANITIES					-	2,500	2,500

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MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2013

CFDA	*/A	Program Title	Grantor	Pass-Through Entity Number	Direct Expenditures	Pass-Through Expenditures	Total Federal Expenditures
INSTITUTE OF MUSEUM AND LIBRARY SERVICES							
45.310		Grants to States	INSTITUTE OF MUSEUM AND LIBRARY SERVICES		-	346,152	346,152
45.310		Grants to States	INSTITUTE OF MUSEUM AND LIBRARY SERVICES	11-04-4P	-	35,437	35,437
45.310		Grants to States	INSTITUTE OF MUSEUM AND LIBRARY SERVICES	12-03-3P/12-02-5P	-	101,497	101,497
			<i>Total Grants to States</i>		-	483,086	483,086
45.312		National Leadership Grants	LIBRARY GENERAL CUSTOMER	13-008	-	11,515	11,515
		TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES			-	494,601	494,601
DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY							
66.034		Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	ENVIRONMENTAL PROTECTION AGENCY		719	-	719
66.432		State Public Water System Supervision	ENVIRONMENTAL PROTECTION AGENCY	1936002309	-	9,294	9,294
66.468	A	Capitalization Grants for Drinking Water State Revolving Funds	ENVIRONMENTAL PROTECTION AGENCY	ARRA 1936002309	-	8,190	8,190
		TOTAL ENVIRONMENTAL PROTECTION AGENCY			719	17,484	18,203
DEPARTMENT OF ENERGY							
81.042	*	Weatherization Assistance for Low-Income Persons	DEPARTMENT OF ENERGY	1936002309	-	199,134	199,134
81.042	*A	Weatherization Assistance for Low-Income Persons	DEPARTMENT OF ENERGY	ARRA 1936002309	-	2,388	2,388
	*		<i>Total Weatherization Assistance for Low-</i>		-	201,522	201,522
81.128	A	Energy Efficiency and Conservation Block Grant Program (EECBG)	DEPARTMENT OF ENERGY	ARRA 1936002309	-	32,515	32,515
		TOTAL DEPARTMENT OF ENERGY			-	234,037	234,037
DEPARTMENT OF EDUCATION							
84.002		Adult Education - Basic Grants to States	PORTLAND COMMUNITY COLLEGE	045-09	-	30,450	30,450
84.010		Title I Grants to Local Educational Agencies	PORTLAND PUBLIC SCHOOLS		-	240,000	240,000
		TOTAL DEPARTMENT OF EDUCATION			-	270,450	270,450
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
93.008		Medical Reserve Corps Small Grant Program	NATIONAL ASSOC OF CITY AND COUNTY HEALTH OFFICIALS	MRC090141	-	6,489	6,489
93.041		Special Programs for the Aging_ Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	DEPARTMENT OF HEALTH AND HUMAN SERVICES	1936002309	-	8,200	8,200

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MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2013

CFDA	*/A	Program Title	Grantor	Pass-Through Entity Number	Direct Expenditures	Pass-Through Expenditures	Total Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)							
93.043		Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	DEPARTMENT OF HEALTH AND HUMAN SERVICES	1936002309	-	28,046	28,046
93.044	*	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	DEPARTMENT OF HEALTH AND HUMAN SERVICES		-	2,422	2,422
93.044	*	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	DEPARTMENT OF HEALTH AND HUMAN SERVICES	1936002309	-	788,373	788,373
93.045	*	Special Programs for the Aging Title III, Part C Nutrition Services	DEPARTMENT OF HEALTH AND HUMAN SERVICES		-	421	421
93.045	*	Special Programs for the Aging Title III, Part C Nutrition Services	DEPARTMENT OF HEALTH AND HUMAN SERVICES	1936002309	-	1,052,025	1,052,025
93.053	*	Nutrition Services Incentive Program	DEPARTMENT OF HEALTH AND HUMAN SERVICES	1936002309	-	422,939	422,939
	*		<i>Total Aging Cluster</i>		-	2,266,181	2,266,181
93.048		Special Programs for the Aging Title IV and Title II Discretionary Projects	NATIONAL ASSOC OF AREA AGENCIES		-	15,000	15,000
93.048		Special Programs for the Aging Title IV and Title II Discretionary Projects	DEPARTMENT OF HEALTH AND HUMAN SERVICES	1936002309	-	18,196	18,196
			<i>Total Special Programs for the Aging Title IV and II</i>		-	33,196	33,196
93.051		Alzheimers Disease Demonstration Grants to States	DEPARTMENT OF HEALTH AND HUMAN SERVICES	1936002309	-	181,391	181,391
93.052		National Family Caregiver Support, Title III, Part E	DEPARTMENT OF HEALTH AND HUMAN SERVICES		-	1,658	1,658
93.052		National Family Caregiver Support, Title III, Part E	DEPARTMENT OF HEALTH AND HUMAN SERVICES	1936002309	-	339,339	339,339
			<i>Total National Family Caregivers Support, Title III Part E</i>		-	340,997	340,997
93.069		Public Health Emergency Preparedness	WASHINGTON CO PUBLIC HEALTH		-	25,269	25,269
93.069		Public Health Emergency Preparedness	DEPARTMENT OF HEALTH AND HUMAN SERVICES	1936002309	-	211,968	211,968
			<i>Total Public Health Emergency Preparedness</i>		-	237,237	237,237
93.070		Environmental Public Health and Emergency Response	DEPARTMENT OF HEALTH AND HUMAN SERVICES		-	47,910	47,910
93.070		Environmental Public Health and Emergency Response	DEPARTMENT OF HEALTH AND HUMAN SERVICES	1936002309	-	31,271	31,271
			<i>Total Environmental Public Health and Emergency Response</i>		-	79,182	79,182
93.071		Medicare Enrollment Assistance Program	DEPARTMENT OF HEALTH AND HUMAN SERVICES	MIPPA09-11-12	-	15,000	15,000
93.086		Healthy Marriage Promotion and Responsible Fatherhood Grants	NORTHWEST FAMILY SERVICES	90AE0160	-	305,199	305,199
93.087		Enhance Safety of Children Affected by Substance Abuse	DEPARTMENT OF HEALTH AND HUMAN SERVICES		181,118	-	181,118

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MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2013

CFDA	*/A	Program Title	Grantor	Pass-Through Entity Number	Direct Expenditures	Pass-Through Expenditures	Total Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)							
93.092		Affordable Care Act (ACA) Personal Responsibility Education Program	DEPARTMENT OF HEALTH AND HUMAN SERVICES		-	95,988	95,988
93.103		Food and Drug Administration_Research	DEPARTMENT OF HEALTH AND HUMAN SERVICES		63,689	-	63,689
93.116		Project Grants and Cooperative Agreements for Tuberculosis Control Programs	DEPARTMENT OF HEALTH AND HUMAN SERVICES	1936002309	-	55,190	55,190
93.121		Oral Diseases and Disorders Research	DEPARTMENT OF HEALTH AND HUMAN SERVICES		79,651	-	79,651
93.136		Injury Prevention and Control Research and State and Community Based Programs	DEPARTMENT OF HEALTH AND HUMAN SERVICES		242,136		242,136
93.136		Injury Prevention and Control Research and State and Community Based Programs	DEPARTMENT OF HEALTH AND HUMAN SERVICES			16,386	16,386
			<i>Total Injury Prevention and Control Research and State and</i>		<i>242,136</i>	<i>16,386</i>	<i>258,522</i>
93.137		Community Programs to Improve Minority Health Grant Program	CASCADE AIDS PROJECT		-	14,996	14,996
93.145		AIDS Education and Training Centers	UNIV OF WASHINGTON	654951	-	107,789	107,789
93.150		Projects for Assistance in Transition from Homelessness (PATH)	STATE DEPARTMENT OF OF HUMAN SERVICES		-	262,190	262,190
93.153		Coordinated Services and Access to Research for Women, Infants, Children, and Youth	DEPARTMENT OF HEALTH AND HUMAN SERVICES		305,447	-	305,447
93.217		Family Planning_Services	DEPARTMENT OF HEALTH AND HUMAN SERVICES	1936002309	-	327,454	327,454
93.224		Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	DEPARTMENT OF HEALTH AND HUMAN SERVICES	6H80CS00149-11-01	7,198,666	-	7,198,666
93.243		Substance Abuse and Mental Health Services_Projects of Regional and National Significance	STATE DIVISON OF PUBLIC HEALTH		-	145,600	145,600
93.243		Substance Abuse and Mental Health Services_Projects of Regional and National Significance	DEPARTMENT OF HEALTH AND HUMAN SERVICES	1936002309	-	12,172	12,172
			<i>Total Substance Abuse and Mental Health Services</i>		<i>-</i>	<i>157,772</i>	<i>157,772</i>
93.268		Immunization Cooperative Agreements	DEPARTMENT OF HEALTH AND HUMAN SERVICES	1936002309	-	42,304	42,304
93.283		The Affordable Care Act: Centers for Disease Control and Prevention_Investigations and Technical Assistance	DEPARTMENT OF HEALTH AND HUMAN SERVICES		-	292,941	292,941

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MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2013

CFDA	*A	Program Title	Grantor	Pass-Through Entity Number	Direct Expenditures	Pass-Through Expenditures	Total Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)							
93.283		The Affordable Care Act: Centers for Disease Control and Prevention_ Investigations and Technical Assistance	PROJECT ACCESS NOW				
				2010-100101	-	87,577	87,577
			<i>Total Affordable Care Act</i>		-	380,517	380,517
93.420 A		ARRA - Community Health Applied Research Network	OCHIN INC	ARRA	-	4,441	4,441
93.501		Affordable Care Act (ACA) Grants for School-Based Health Center Capital Expenditures	DEPARTMENT OF HEALTH AND HUMAN SERVICES		327,767	-	327,767
93.505		Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	DEPARTMENT OF HEALTH AND HUMAN SERVICES	132027	-	278,686	278,686
93.507		PPHF 2012 National Public Health Improvement Initiative	DEPARTMENT OF HEALTH AND HUMAN SERVICES	1936002309	-	10,923	10,923
93.517		Affordable Care Act Aging and Disability Resource Center	DEPARTMENT OF HEALTH AND HUMAN SERVICES		-	7,295	7,295
93.520		Centers for Disease Control and Prevention Affordable Care Act (ACA) Communities Putting Prevention to Work	DEPARTMENT OF HEALTH AND HUMAN SERVICES		-	48,159	48,159
93.524		The Affordable Care Act (ACA): Capacity Building Assistance to Strengthen Public Health Infrastructure and Performance	PROJECT ACCESS NOW		-	25,472	25,472
93.556		Promoting Safe and Stable Families	DEPARTMENT OF HEALTH AND HUMAN SERVICES	MUL0911	-	280,894	280,894
93.558		Temporary Assistance for Needy Families	DEPARTMENT OF HEALTH AND HUMAN SERVICES	1936002309	-	110,260	110,260
93.563 *		Child Support Enforcement	DEPARTMENT OF HEALTH AND HUMAN SERVICES	1936002309	-	1,848,970	1,848,970
93.568 *		Low-Income Home Energy Assistance	DEPARTMENT OF HEALTH AND HUMAN SERVICES	0310559	-	6,495,134	6,495,134
93.569		Community Services Block Grant	DEPARTMENT OF HEALTH AND HUMAN SERVICES	0310559	-	810,563	810,563
93.576		Refugee and Entrant Assistance_Discretionary Grants	DEPARTMENT OF HEALTH AND HUMAN SERVICES		85,470	-	85,470
93.597		Grants to States for Access and Visitation Programs	DEPARTMENT OF HEALTH AND HUMAN SERVICES	Multnomah	-	48,941	48,941
93.600		Head Start	MT HOOD COMM COLLEGE HEAD START	0210115-6	-	65,565	65,565
93.601		Child Support Enforcement Demonstrations and Special Projects	DEPARTMENT OF HEALTH AND HUMAN SERVICES		-	4,871	4,871
93.610		Health Care Innovation Awards (HCIA)	PROVIDENCE PORTLAND		-	95,507	95,507
93.658		Foster Care_Title IV-E	DEPARTMENT OF HEALTH AND HUMAN SERVICES		-	2,295	2,295

* Indicates A Major Program

A Program includes ARRA Funding

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2013

CFDA	*/A	Program Title	Grantor	Pass-Through Entity Number	Direct Expenditures	Pass-Through Expenditures	Total Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)							
93.667		Social Services Block Grant	DEPARTMENT OF HEALTH AND HUMAN SERVICES	MUL0911	-	642,154	642,154
93.723		ARRA - Prevention and Wellness-State, Territories and Pacific Islands	WASHINGTON STATE DEPARTMENT OF HEALTH	#N17703	-	5,974	5,974
93.724		ARRA - Prevention and Wellness Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	DEPARTMENT OF HEALTH AND HUMAN SERVICES		912,891		912,891
93.724		ARRA - Prevention and Wellness Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	OREGON STATE HEALTH DIVISION			15,324	15,324
			<i>Total Prevention and Wellness Communitites Putting prevention to</i>		<i>912,891</i>	<i>15,324</i>	<i>928,215</i>
93.734		Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs financed by 2012 Prevention and Public Health Funds (PPHF-2012)	DEPARTMENT OF HEALTH AND HUMAN SERVICES		-	8,888	8,888
93.736		Prevention Public Health Fund 2012: Viral Hepatitis Prevention	DEPARTMENT OF HEALTH AND HUMAN SERVICES		57,518	-	57,518
93.779		Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	DEPARTMENT OF HEALTH AND HUMAN SERVICES		-	22,398	22,398
93.837		Cardiovascular Diseases Research	KAISER RESEARCH FNDTN INSTIT	GPBHD0014A MULT	-	44,326	44,326
93.889		National Bioterrorism Hospital Preparedness Program	DEPARTMENT OF HEALTH AND HUMAN SERVICES	1936002309	-	326,400	326,400
93.914		HIV Emergency Relief Project Grants	DEPARTMENT OF HEALTH AND HUMAN SERVICES		954,222	-	954,222
93.914		HIV Emergency Relief Project Grants	DEPARTMENT OF HEALTH AND HUMAN SERVICES	2H89HA00040-18-00	2,861,903	-	2,861,903
			<i>Total HIV Emergency Relief Project Grants</i>		<i>3,816,124</i>	<i>-</i>	<i>3,816,124</i>
93.918		Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	DEPARTMENT OF HEALTH AND HUMAN SERVICES		980,646	-	980,646
93.926		Healthy Start Initiative	DEPARTMENT OF HEALTH AND HUMAN SERVICES		889,653	-	889,653
93.928		Special Projects of National Significance	DEPARTMENT OF HEALTH AND HUMAN SERVICES		191,390	-	191,390
93.940		HIV Prevention Activities_Health Department Based	DEPARTMENT OF HEALTH AND HUMAN SERVICES	1936002309	-	727,475	727,475
93.944		Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	DEPARTMENT OF HEALTH AND HUMAN SERVICES	1936002309	-	423,584	423,584

* Indicates A Major Program
A Program includes ARRA Funding

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2013

CFDA	*/A	Program Title	Grantor	Pass-Through Entity Number	Direct Expenditures	Pass-Through Expenditures	Total Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)							
93.945		Assistance Programs for Chronic Disease Prevention and Control	DEPARTMENT OF HEALTH AND HUMAN SERVICES	4CA128-01 1	-	28,968	28,968
93.958		Block Grants for Community Mental Health Services	DEPARTMENT OF HEALTH AND HUMAN SERVICES		-	476,165	476,165
93.959		Block Grants for Prevention and Treatment of Substance Abuse	DEPARTMENT OF HEALTH AND HUMAN SERVICES		-	4,686,337	4,686,337
93.994		Maternal and Child Health Services Block Grant to the States	DEPARTMENT OF HEALTH AND HUMAN SERVICES	1936002309	-	404,264	404,264
93.994		Maternal and Child Health Services Block Grant to the States	OREGON HEALTH SCIENCES UNIVERSITY	4 B04MC06604-01-04	-	119,075	119,075
<i>Total Maternal and Child Health Services Block Grant to the States</i>					-	523,339	523,339
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES					15,332,167	23,031,012	38,363,179
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE							
94.011		Foster Grandparent Program	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		209,797	-	209,797
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE					209,797	-	209,797
DEPARTMENT OF HOMELAND SECURITY							
97.008		Non-Profit Security Program	PORTLAND CITY OF		-	125,703	125,703
97.008		Non-Profit Security Program	PORTLAND CITY OF	UASI08/09/10	-	171,469	171,469
<i>Total Environmental Public Health and Emergency Response</i>					-	297,172	297,172
97.012		Boating Safety Financial Assistance	DEPARTMENT OF HOMELAND SECURITY	1936002309	-	790,242	790,242
97.042		Emergency Management Performance Grants	DEPARTMENT OF HOMELAND SECURITY		-	311,307	311,307
97.073		State Homeland Security Program (SHSP)	DEPARTMENT OF HOMELAND SECURITY		-	219,010	219,010
97.074		Law Enforcement Terrorism Prevention Program (LETPP)	DEPARTMENT OF HOMELAND SECURITY		-	3,348	3,348
TOTAL DEPARTMENT OF HOMELAND SECURITY					-	1,621,079	1,621,079
TOTAL FEDERAL EXPENDITURES					20,162,797	35,214,959	55,377,756

* Indicates A Major Program
A Program includes ARRA Funding

MULTNOMAH COUNTY, OREGON
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

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, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The County's reporting entity is defined in Note 1 to the County's June 30, 2013 basic financial statements.

Note B – Basis of Accounting

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

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

Note C – Relationship to Basic Financial Statements

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

Note D – Non-cash Awards

The accompanying Schedule of Expenditures of Federal Awards includes two 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; \$7,004. This amount is included in the total program value reported on the Schedule of Expenditures of Federal Awards of \$115,977.

An additional award from the Department of Health and Human Services is in the form of immunization vaccines (CFDA #93.268 – Childhood Immunization Grants). The value of the non-cash portion of the Childhood Immunization Grant award was determined by the granting agency. The amount expended and advanced at June 30, 2013 is calculated on a proportionate basis; \$3,056,418. This amount is disclosed only and is not included in the cash value portion reported on the Schedule of Expenditures of Federal Awards of \$42,304.

MULTNOMAH COUNTY, OREGON
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Note E - Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA number</u>	<u>Amount provided to subrecipients</u>
WIC Grants to States (WGS)	10.578	46,119
Schools and Roads - Grants to States	10.665	69,662
Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	5,000
Community Development Block Grants/Entitlement Grants	14.218	456,128
Emergency Solutions Grant Program	14.231	127,890
Supportive Housing Program	14.235	1,730,165
Housing Opportunities for Persons with AIDS	14.241	4,587
Healthy Homes Demonstration Grants	14.901	124,979
Missing Children's Assistance	16.543	39,540
Drug Court Discretionary Grant Program	16.585	60,562
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	298,670
Project Safe Neighborhoods	16.609	5,754
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	16.736	43,778
Edward Byrne Memorial Justice Assistance Grant Program	16.738	655,798
Congressionally Recommended Awards	16.753	79,238
<i>ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories</i>	16.803	620,418
Second Chance Act Prisoner Reentry Initiative	16.812	100,205
Byrne Criminal Justice Innovation Program	16.817	35,770
Highway Planning and Construction	20.205	5,772
Title I Grants to Local Educational Agencies	84.010	297,017
Special Programs for the Aging Title III, Part D Disease Prevention and Promotion Services	93.043	8,050
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	160,021
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	1,052,025
Alzheimer's Disease Demonstration Grants to States	93.051	30,413
National Family Caregiver Support, Title III, Part E	93.052	150,888
Nutrition Services Incentive Program	93.053	422,939
Enhance Safety of Children Affected by Substance Abuse	93.087	123,409
Oral Diseases and Disorders Research	93.121	42,707
Projects for Assistance in Transition from Homelessness (PATH)	93.150	241,532
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	60,608
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	327,435
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	102,933
Affordable Care Act (ACA) Grants for School-Based Health Center Capital Expenditures	93.501	302,231

MULTNOMAH COUNTY, OREGON
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Note E - Subrecipients (continued)

<u>Program Title</u>	<u>Federal CFDA number</u>	<u>Amount provided to subrecipients</u>
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	213,030
Promoting Safe and Stable Families	93.556	211,300
Low-Income Home Energy Assistance	93.568	382,674
Community Services Block Grant	93.569	660,441
Health Care Innovation Awards	93.610	143,105
Social Services Block Grant	93.667	610,292
<i>ARRA - Prevention and Wellness □ Communities Putting Prevention to Funding Opportunities Announcement (FOA)</i>	93.724	134,664
HIV Emergency Relief Project Grants	93.914	2,400,040
Special Projects of National Significance	93.928	135,678
HIV Prevention Activities Health Department Based	93.940	232,488
Block Grants for Community Mental Health Services	93.958	405,769
Block Grants for Prevention and Treatment of Substance Abuse	93.959	4,448,585
Non-Profit Security Program	97.008	24,183
State Homeland Security (Grant) Program	97.073	13,050
Total Subrecipient pass-through		<u>17,847,542</u>

**MULTNOMAH COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☒ 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 deficiency(ies) identified? ☒ Yes ☐ None reported

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

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued</i>
16.738	JAG Cluster, comprised of: Edward Byrne Memorial Justice Assistance Grant Program	<i>Unmodified</i>
16.803	Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	
20.205	Highway Planning and Construction	<i>Unmodified</i>
20.933	National Infrastructure Investments	<i>Unmodified</i>
81.042	Weatherization Assistance for Low-Income Persons, includes ARRA	<i>Unmodified</i>
93.044	Aging Cluster, comprised of: Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	<i>Unmodified</i>
93.045	Special Programs for the Aging Title III, Part C Nutrition Services	
93.053	Nutrition Services Incentive Program	
93.563	Child Support Enforcement	<i>Unmodified</i>
93.568	Low-Income Home Energy Assistance	<i>Unmodified</i>

Dollar threshold used to distinguish between type A and type B programs:

\$ 1,661,333

**MULTNOMAH COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

Section II - Financial Statement Findings

FINDING 2013-01 – Capitalization of Software – Significant Deficiency in Internal Control (Repeat Finding)

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

Condition: The County does not have effective internal controls in place over the process to capture software development related expenditures specified by GASB 51.

Context: When testing the support schedule of GASB 51 capitalized software expenditures for FY 2013, several discrepancies were noted: \$35,500 variance for labor and over reporting of \$175,300 in purchased software. Upon further inquiry and investigation, it was determined there are no effective controls in place over this process.

Effect: Without effective internal controls in place to prevent, or detect and correct, potential errors in the process, the County risks an error in reporting the value of capitalized software costs.

Cause: Management attempts to identify qualifying projects and the associated expenditures for capitalization as part of the year end closing process. This is a manual process, most of which occurs outside of the accounting system. At present, management does not have effective controls in place over this process, which lead to the identification of several discrepancies that should have been prevented, or detected and corrected, by internal controls.

Recommendation: It is recommended that management implement an effective process for properly identifying and capturing expenditures that meet the criteria for capitalization. This process should include consideration of the following criteria: identification at project inception of whether the project will have enough expenditures during the Application Development Stage to meet the County's capitalization threshold; use of a project or cost accounting system to identify costs that are to be capitalized; reconciliation between the potential project costs to be capitalized and actual expenditures as recorded in SAP; and a set of internal controls over the process to ensure accuracy and timeliness of information.

Views of responsible officials and planned corrective actions: Management's response is included at "Management's Views and Corrective Action Plan."

**MULTNOMAH COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

FINDING 2013-02 – Cutoff – Significant Deficiency in Internal Control

Criteria: Under Generally Accepted Accounting Principles (GAAP), there must be proper cutoff of revenue and expenditures at the beginning and end of the period to ensure that revenues and expenditures are recorded in the proper period.

Condition: During our testing of disbursements within the Highway Fund, we noted that expenditures related to FY 2012 were recorded in FY 2013 resulting in an under-reporting of construction in progress on a bridge project, under-reporting of accrued liabilities, and an under-reporting of receivables and revenues for amounts reimbursable from a grant partially financing the bridge project.

Context: During our testing of expenditures for the Highway Fund we found that two items related to FY 2012 were recorded during FY 2013.

Effect: The capital asset construction-in-progress, accrued liabilities, intergovernmental receivables and intergovernmental revenue, were understated by \$365,463 based on the final settlement of the invoices involved. In addition, the County had completed all the requirements for reimbursement from ODOT, but did not seek reimbursement for approximately thirteen months. The expenditures incurred and not timely claimed for reimbursement totaled approximately \$811,000.

Cause: The County had a bridge rehabilitation project that was partially funded by the State of Oregon through ODOT. Work performed by the contractor was completed in the third quarter of fiscal year 2012 and submitted for payment. Due to disputes between the contractor, the County, and ODOT regarding the quality of the work performed, payment for the project was not settled until the first quarter of fiscal year 2013. This was after the year end close of fiscal year 2012 and expenditures were carried forward into fiscal year 2013. There was a lack of consideration of the proper accounting for an estimate of the expenditures that should be accrued, as well as an estimate of the receivable and revenue that should have been accrued. There were additional delays after payment of the contractor before reimbursement of expenses was submitted to ODOT.

Recommendation: We recommend that the County improve processes for recording grant-funded projects that may straddle more than one accounting period to ensure that revenues, expenditures, and related accruals are recorded in the proper period.

Views of responsible officials and planned corrective actions: Management's response is included at "Management's Views and Corrective Action Plan."

**MULTNOMAH COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-03 – Unallowed Costs – Significant Deficiency in Internal Control and Instances of Noncompliance

<i>CFDA Number</i>	<i>Federal Agency/Pass-through Entity - Program Name</i>	<i>Award Number</i>	<i>Award year</i>	<i>Questioned Costs</i>
93.044	Aging Cluster, passed through the State of Oregon, Department of Human Services, comprised of: Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	136587	2013	\$83
93.045	Special Programs for the Aging_Title III, Part C_Nutrition Services			
93.053	Nutrition Services Incentive Program			

Criteria or specific requirement (including statutory, regulatory, or other citation): According to OMB Circular A-133, Section 300 (b) the County is responsible for maintaining internal control over Federal programs to ensure program integrity and proper use of federal resources.

Condition: Personal expenses were charged to the program.

Context: During our testing of general disbursements for the Aging Cluster, we found that personal expenses were charged to the program in two instances out of 25 samples initially selected for testing. The County identified these as personal expenses and required the employee to reimburse the County; however, the reimbursement was not properly credited to the grant nor was there a reduction in the subsequent draw down request.

Effect: Unallowable costs were charged to the program, which could jeopardize future funding for the program.

Cause: County travel related expenditures are processed through Accounts Payable and a summary is provided to the grant accountant. In this case, the grant accountant was not advised there were personal travel expenses included in the summary of charges and all travel expenses were charged to the award.

Recommendation: It is recommended that the County improve internal controls over general disbursements to ensure that unallowable expenses are not charged to the grant.

Views of responsible officials and planned corrective actions: Management's response is included at "Management's Views and Corrective Action Plan."

**MULTNOMAH COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

FINDING 2013-04 – Unallowed Costs – Significant Deficiency in Internal Control and Instances of Noncompliance

<i>CFDA Number</i>	<i>Federal Agency/Pass-through Entity - Program Name</i>	<i>Award Number</i>	<i>Award year</i>	<i>Questioned Costs</i>
	JAG Cluster, passed through the State of Oregon, Department of Criminal Justice and the City of Portland, comprised of:	Various	2013	None Reported
16.738	Edward Byrne Memorial Justice Assistance Grant Program			
16.803	Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories Program			

Criteria or specific requirement (including statutory, regulatory, or other citation): According to OMB Circular A-133, Section 300 (b) the County is responsible for maintaining internal control over Federal programs to ensure program integrity and proper use of federal resources.

Condition: Time and Attendance reports were missing supervisor review and approval.

Context: During our testing of payroll for the JAG cluster, we noted two instances from the initial sample of 25 in which the Time and Attendance report was not reviewed and approved by the employee's supervisor.

Effect: Errors on time cards could go undetected and result in incorrect payroll related expenses being charged to the program.

Cause: The control currently in place is not consistently implemented to ensure that Time and Attendance reports are reviewed and approved.

Recommendation: It is recommended that the County address the internal controls to review Time and Attendance reports to ensure that the correct amount of payroll is charged to the program.

Views of responsible officials and planned corrective actions: Management's response is included at "Management's Views and Corrective Action Plan."

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

For the Fiscal Year Ending June 30, 2013

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

During fiscal year 2013, management took a closer look at our processes to identify and capitalize internally developed and purchased software. As discussed with Moss Adams, management recognizes part of the solution is designing strong controls over our processes, implementing those controls and documenting those controls. Management has drafted internal control documentation over GASB 51 reporting and over the next year we will continue to identify areas where we can strengthen controls and provide evidence of an audit trail that allows Moss Adams to effectively test the control.

Some of our existing processes include identifying potential GASB 51 software projects at weekly IT Demand Planning meetings. In addition, projects are reviewed at quarterly IT planning meetings and are so noted in the meeting minutes. IT uses a software system, PlanView, to capture labor costs on IT projects. Labor costs captured in PlanView are being accurately tracked, sampled monthly against payroll records in SAP, and property capitalized. Personnel naming conventions in PlanView differ in some instances from those used in SAP (the payroll system) and those differences are being rationalized. Software costs recorded in SAP are being reviewed regularly in conjunction with General Ledger to identify software potentially capitalizable under GASB 51. These processes along with the controls that ensure we've properly accounted for GASB 51 capitalizable costs will be documented for audit testing in fiscal year 2014.

FINDING 2013-01 Cutoff – Significant Deficiency in Internal Control – Highway Planning and Construction

The circumstances and transactions encountered during the Morrison Bridge Deck Replacement project were unusual in nature and contributed to the lag in time to record expenses and revenues to the proper period on this project. Management considers this to be an isolated incident. However, this isolated incident did reveal a weakness in our internal controls.

As a result of the audit findings, Transportation Finance has reviewed and will revise the department's internal controls over recording expenditures and program revenues to ensure transactions are recorded timely and to the proper period.

To address the issue of expenses incurred in one fiscal year being reported in another fiscal year, we have strengthened the internal controls over expenditures. Project managers and engineers will promptly forward approved invoices to Transportation Finance upon their receipt of the invoice.

This allows Transportation Finance to review total project expenses and ensure transactions have been properly tracked and recorded in a timely manner. Additionally a fiscal year end review of all expenditures will be performed by Transportation Finance supervision and staff to ensure expenditures are recorded in the proper fiscal year.

To ensure prompt submittal of expenses to ODOT for reimbursement a project file will be created to track the status of DCS capital projects supported through external resources. On a quarterly basis, Transportation Finance supervision will review project revenue spreadsheets with staff to assess the status of eligible project costs and invoicing of those costs. This review is not intended to trigger the creation of the invoice, but rather to ensure that all invoices have been created in a timely manner.

DCS department internal control documents will be updated to reflect these planned changes and submitted to County Central Finance for review and comment.

In addition, to the internal control changes explained above, DCS staff have been counseled on the critical responsibilities they have regarding proper recording of transactions and the timely processing of invoices for both accounts payable and accounts receivable.

FINDING 2013-02 Unallowed Costs – Significant Deficiency in Internal Control and Instances of Noncompliance – Aging Cluster

In the fiscal year 2013 Single Audit, Moss Adams noted two samples out of twenty-five where personal travel expenses were charged to the Federal grant program. The two personal travel transactions were the only items that were unallowable costs.

The Department of County Human Services (DCHS) Accounts Payable unit has reviewed the travel card reconciliation process, will continue monitoring all program expenditures related to this grant, and is updating the process to include an additional reconciliation step. In the event any personal expenses are part of the approved travel, those expenses will be posted directly to the County General Fund for reimbursement and the reconciliation will note the movement of these expenses. This exception is found to be a one-time-only incident and management expects given revised procedure that further unallowable charges will not occur.

FINDING 2013-03 Unallowed Costs – Significant Deficiency in Internal Control and Instances of Noncompliance – JAG Program Cluster

In response to this finding, the Department of Community Justice (DCJ) revised their time entry and time approval process to include a monthly review of time and attendance reports for employees charged to Federal awards. This process enables DCJ to ensure that all documents have been properly reviewed and approved by the employee's supervisor. Copies of time and attendance reports for the relevant employees are now being turned in to the Department Finance unit for review each month. Any discrepancies are reported for correction and the documentation is maintained as part of the grant file.

Summary Schedule of Prior Audit Findings and Questioned Costs For the Fiscal Year Ending June 30, 2012

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

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

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

Status of Finding: Management has responded to this finding in the corrective action plan to current year audit findings on page 203.

FINDING 2012-02 Eligibility – Significant Deficiency in Internal Controls

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

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

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

Status of Finding: Department of County Human Services (DCHS) management took additional steps to strengthen internal controls over the eligibility screening process. DCHS Community Services Division drafted and implemented procedures to address the eligibility review process. In Weatherization and the Energy Assistance programs, applications are reviewed for eligibility by someone other than the staff who originally processed the application

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