

CLACKAMAS COUNTY, OREGON

Audit of Federal Awards Performed in
Accordance with Government Auditing Standards
and Uniform Guidance
and Supplementary Information
Year Ended June 30, 2016

**CLACKAMAS COUNTY, OREGON
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**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***

Board of County Commissioners of
Clackamas County, Oregon
Oregon City, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Clackamas County, Oregon (the "County") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 29, 2016. Our report includes a reference to other auditors who audited the financial statements of the Workforce Investment Council of Clackamas County, Inc. (WICCO), as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a material weakness.

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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 the Finding

The County's response to the finding identified in our audit is 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.

Moss Adams, LLP

Eugene, Oregon
December 29, 2016

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
 REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
 EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE**

Board of County Commissioners
 Clackamas County, Oregon

Report on Compliance for Each Major Federal Program

We have audited Clackamas County, Oregon's ("the County") compliance with the types of compliance requirements described in the *OMB 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, 2016. 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.

The County's basic financial statements include the operations of the Housing Authority of Clackamas County ("the Authority") and Workforce Investment Council of Clackamas County, Inc. ("WICCO"), which received \$17,033,350 and \$3,642,819 in federal awards which are not included in the schedule during the year ended June 30, 2016. Our audit, described below, did not include the operations of the Authority because the Authority elects to perform a separate audit in accordance with the Uniform Guidance. Our audit also did not include the operations of WICCO because WICCO elects to perform a separate audit in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the County as of and for the year ended June 30, 2016, and have issued our report thereon dated December 29, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial

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statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Moss Adams, LLP

Eugene, Oregon
March 3, 2017

CLACKAMAS COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Grantor and Program Title	Federal CFDA Number	Identifying Pass Through Entity Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Agriculture:				
Direct Programs:				
Wildlife Services	10.028		\$ 672	\$ -
Cooperative Forestry Assistance	10.664		75,738	-
Passed Through Oregon State Department of Administrative Services:				
School and Roads - Grants to States	10.665	PL 106-343	1,232,711	38,853
TOTAL FOREST SERVICE SCHOOLS & ROADS CLUSTER:			<u>1,232,711</u>	<u>38,853</u>
Passed Through Oregon Department of Agriculture				
Specialty Crop Block Grant Program - Farm Bill	10.170	ODAA3504GR	22,693	-
Passed Through Oregon Health Authority:				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	971765	907,600	-
Special Supplemental Nutrition Program for Women, Infants, and Children - Peer	10.557	280664	69,411	-
TOTAL CFDA 10.557			<u>977,011</u>	<u>-</u>
Total U.S. Department of Agriculture:			<u>2,308,825</u>	<u>38,853</u>
U.S. Department of Housing and Urban Development:				
Direct Programs:				
Emergency Solutions Grant Program	14.231		180,248	117,678
Supportive Housing Program	14.235		523,336	-
Continium of Care Program	14.267		2,459	-
HOME Investment Partnerships Program				
HOME - Loans Receivable as of 6/30/15	14.239		681,296	52,135
TOTAL CFDA 14.239			<u>16,752,452</u>	<u>-</u>
			17,433,748	52,135
Community Development Block Grants/Entitlement Grants - Program				
CDBG - Loans Receivable balance as of 6/30/15	14.218		2,172,348	73,086
	14.218		5,159,158	-
Passed Through Oregon Housing & Community Services				
Community Development Block Grants/Entitlement Grants Loans Receivable - balance as of 6/30/15	14.218	1088	1,411,005	-
TOTAL CFDA 14.218			<u>8,742,511</u>	<u>73,086</u>
Community Development Block Grants/Entitlement Grants Loans Receivable				
	14.256	1123	713,656	-
Passed Through Central City Concern:				
Supportive Housing Program	14.235	BH - 14/15	191,092	45,712
Total U.S. Department of Housing and Urban Development:			<u>27,787,050</u>	<u>340,746</u>

CLACKAMAS COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016

Grantor and Program Title	Federal CFDA Number	Identifying Pass Through Entity Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of the Interior:				
Direct programs:				
Non-Sale Disposals of Mineral Material	15.214		\$ 52,005	\$ -
Recreation Resource Management	15.225		31,096	26,967
Distribution of Receipts to State & Local Governments	15.227		975,022	-
Secure Rural Schools and Community Self-Determination	15.234		27,443	9,075
Total U.S. Department of the Interior:			1,085,566	36,042
U.S. Department of Justice:				
Direct programs:				
Second Chance Act Reentry Initiative	16.812		26,928	-
Joint Law Enforcement Operations	16.111		17,658	-
Enhanced Training and Services to End Violence and Abuse of Women Later in Life	16.528		57,086	34,883
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589		300,160	103,127
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Programs	16.590		48,504	-
Equitable Sharing Program	16.922		19,639	-
Drug Court Discretionary Grant Program	16.585		112,357	-
State Criminal Alien Assistance Program	16.606		33,225	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738		20,402	-
Passed Through Criminal Justice Commission:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	BJ-13-022	85,179	-
TOTAL CFDA 16.738			105,581	-
Passed Through Oregon Department of Justice:				
Crime Victim Assistance	16.575	DAVAP-00029	105,099	-
Total U.S. Department of Justice:			826,237	138,010
U. S. Department of Labor				
Passed Through Clackamas Education Service District				
WIA Youth Activities	17.259	13-14-2	37,512	-
Passed Through Workforce Investment Council of Clackamas County				
Reintegration of Ex-Offenders	17.270	12-13-3	81,963	-
Workforce Innovation Fund	17.283	12-13-3	26,653	-
Total U. S. Department of Labor			146,128	-

CLACKAMAS COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016

Grantor and Program Title	Federal CFDA Number	Identifying Pass Through Entity Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Transportation:				
Direct Programs:				
Highway Planning and Construction	20.205		\$ 213,528	\$ -
Passed Through Oregon State Department of Transportation:				
Highway Planning and Construction	20.205	27945	8,973	-
Highway Planning and Construction	20.205	25214	17,691	-
Highway Planning and Construction	20.205	27472	605,764	-
Highway Planning and Construction	20.205	26210	208,376	-
Highway Planning and Construction	20.205	28216	104,866	-
Highway Planning and Construction	20.205	30687	33,273	-
Highway Planning and Construction	20.205	30522	22,101	-
Passed Through Oregon State, Dept. of Transportation - Transportation Safety Division				
Highway Planning and Construction	20.205	1517WKZN-421III	2,861	-
TOTAL HIGHWAY PLANNING AND CONSTRUCTION CLUSTER:			1,217,433	-
Passed Through Metro:				
Federal Transit-Formula Grants	20.507	931973	13,060	-
TOTAL TRANSIT SERVICES PROGRAM CLUSTER:			13,060	-
Enhanced Mobility of Seniors and Individuals with Disabilities				
Passed Through Ride Connection:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	29297	24,991	1,218
Passed Through Oregon State Department of Transportation:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	29295	16,337	-
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	29297	25,818	-
Enhanced Mobility of Seniors and Individuals with Disabilities	20.521	29297	7,807	-
Passed Through Tri-Met Catch a Ride:				
Job Access and Reverse Commute Program	20.516	JO140191JO	4,989	-
TOTAL TRANSIT SERVICES PROGRAMS CLUSTER:			79,942	1,218
Passed Through Oregon State Sheriff's Association:				
National Priority Safety Programs	20.616	M5HVE-14-12-21	4,770	-
National Priority Safety Programs	20.616	M1HVE-16-46-08	12,293	-
Passed Through Oregon State, Dept. of Transportation - Transportation Safety Division				
State and Community Highway Safety	20.600	K4SA-14-25-08	7,090	-
State and Community Highway Safety	20.600	SA15-25-08	14,208	-
TOTAL HIGHWAY SAFETY CLUSTER:			38,361	-
Direct Programs:				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505		63,573	-
Passed Through Oregon State Department of Transportation:				
Formula Grants for Rural Areas	20.509	29955	78,558	-
Total U.S. Department of Transportation:			1,490,927	2,436

CLACKAMAS COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016

Grantor and Program Title	Federal CFDA Number	Identifying Pass Through Entity Number	Federal Expenditures	Amount Provided to Subrecipients
General Services Administration				
Passed Through Dept. of Administrative Services: Donation of Federal Surplus Personal Property	39.003	ORS 272.085	\$ 3,020	\$ -
Total General Services Administration			<u>3,020</u>	<u>-</u>
Environmental Protection Agency:				
Passed Through Oregon Health Authority: Capitalization Grants for Drinking Water State Revolving Funds	66.468	136933B	47,192	-
TOTAL CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING FUNDS CLUSTER:			<u>47,192</u>	<u>-</u>
State Public Water System Supervision	66.432	136933A	53,090	-
Total Environmental Protection Agency:			<u>100,282</u>	<u>-</u>
U.S. Department of Energy:				
Passed Through Washington State Department of Commerce: Energy Efficiency and renewable Energy Information Dissemination, Outbreak, Training and Technical Analysis/Assistance	81.117	F-14-52117-003	1,083	-
Passed Through Oregon State Housing and Community Services: Weatherization Assistance for Low-Income Persons	81.042	MGA 4224	191,554	-
Total U.S. Department of Energy:			<u>192,637</u>	<u>-</u>
U.S. Department of Education				
Passed Through Oregon Department of Education Race to the top - Early Learning challenge	84.412	SG 39765	84,494	-
Total U.S. Department of Education:			<u>84,494</u>	<u>-</u>
U.S. Department of Health and Human Services:				
Direct Programs:				
Building Capacity of the Public Health System to Improve Population Health Through National, Non-Profit Organizations- financed in part by Prevention and Public Health Funds (PPHF)	93.224		25,709,824	-
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224		1,176,981	-
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.527		533,197	-
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program	93.527		11,932	-
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program Expanded Services (ES)	93.527		280,181	-
TOTAL HEALTH CENTER PROGRAM CLUSTER:			<u>27,712,115</u>	<u>-</u>
Substance Abuse & Mental Health Services_Projects of Regional and National Significance	93.243		229,608	34,192
Passed Through Oregon Health Authority: Substance Abuse & Mental Health Services Projects of Regional and National Significance	93.243	134303	44,541	-
TOTAL CFDA 93.243			<u>274,149</u>	<u>34,192</u>

CLACKAMAS COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016

Grantor and Program Title	Federal CFDA Number	Identifying Pass Through Entity Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Health and Human Services (Continued):				
Passed Through Oregon State Senior & Disabled Services				
Special Programs for the Aging Title III, Part Grants for Supportive Services & Senior Centers	93.044	148991.2	\$ 498,011	\$ 169,944
Special Programs for the Aging Title III, Part C_Nutrition Services	93.045	148991.2	211,120	65,877
Special Programs for the Aging Title III, Part C_Nutrition Services	93.045	148991.2	362,352	112,229
Nutrition Services Incentive Program	93.053	148991.2	174,058	60,451
TOTAL AGING CLUSTER			1,245,541	408,501
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	148991.2	78	-
Special Programs for the Aging_Title III, Part D_Disease Prevention & Health Promotion Services	93.043	148991.2	17,450	15,058
National Family Caregiver Support, Title III, Part E	93.052	148991.2	166,059	12,617
Passed Through Oregon Health Authority:				
Public Health Emergency Preparedness	93.069	148002	155,284	-
Passed Through Washington County:				
Public Health Emergency Preparedness	93.069	CA11-1265	32,444	-
TOTAL CFDA 93.069			187,728	-
Passed Through Association of Food and Drug Officials				
Retail Program Standards	93.103	G-T-1510-03227	3,000	-
Retail Program Standards	93.103	G-MP -1510-03226	20,000	-
Passed Through Oregon Health Authority				
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	148002	25,471	-
Project Grants & Cooperative Agreements for Tuberculosis Control Programs	93.116	280549	105,393	-
Block Grants for Community Mental Health Services	93.958	134303	369,794	141,917
Block Grants for Prevention and Treatment of Substance Abuse	93.959	134303	932,827	569,653
Block Grants for Prevention and Treatment of Substance Abuse	93.959	145395	13,497	-
TOTAL CFDA 93.959			946,324	569,653
Family Planning Services	93.217	280558	35,828	-
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	142002	44,350	-
Empowering Older Adults and Adults with Disabilities Through Chronic Disease Self-Management Education Programs – financed by Prevention and Public Health Funds (PPHF)	93.734	148002	33,555	-
HIV Prevention Activities Health Department Based	93.940	142002	66,850	57,667
Passed Through Oregon Office of Children and Families				
Social Services Block Grant	93.667	9878	5,150	-
Social Services Block Grant	93.667	SG39639	159,882	156,125
Social Services Block Grant	93.667	SG39640	48,128	45,500
Social Services Block Grant	93.667	SG37642	102,843	95,864
TOTAL CFDA 93.667			316,003	297,489
Promoting Safe and Stable Families	93.556	9478	60,100	14,370

CLACKAMAS COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016

Grantor and Program Title	Federal CFDA Number	Identifying Pass Through Entity Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Health and Human Services (Continued):				
Passed Through Oregon State Housing & Community Services Division Temporary Assistance for Needy Families TOTAL TANF CLUSTER	93.558	MGA 3046	\$ 32,054 32,054	\$ - -
Community Services Block Grant	93.569	MGA 4224	271,402	-
Low Income Home Energy Assistance	93.568	MGA 4224	2,066,154	-
Passed Through Oregon Department of Justice Child Support Enforcement	93.563	07-GOV-DA-03	1,004,357	-
Passed Through Providence Health Care Innovation Awards (HCIA)				
Passed Through Oregon State Department of Human Services Foster Care Title IV-E	93.658	143653	85,460	-
Passed Through to Oregon State Department of Consumer and Business Services; SHIBA Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	SHIBA11-12-4	18,085	-
Passed Through to Oregon Health Sciences University Maternal & Child Health Services Block Grant to the States	93.994	4B04MC06604-01-044	53,734	-
Passed Through to Oregon Health Authority Maternal & Child Health Services Block Grant to the States	93.994	142002	964	-
Maternal & Child Health Services Block Grant to the States	93.994	280558	5,953	-
Maternal & Child Health Services Block Grant to the States	93.994	180514	108,818	-
TOTAL CFDA 93.994:			<u>169,469</u>	<u>-</u>
Total U.S. Department of Health and Human Services:			<u>35,276,769</u>	<u>1,551,464</u>
Corporation for National and Community Service:				
Direct Programs:				
Retired and Senior Volunteer Program	94.002		54,015	-
Senior Companion Program	94.016		137,380	-
TOTAL Foster Grandparent/Senior Companion CLUSTER			<u>137,380</u>	<u>-</u>
Total Corporation for National and Community Service:			<u>191,395</u>	<u>-</u>
Executive Office of the President:				
Passed Through Oregon Department of Justice High Intensity Drug Trafficking Areas Program	95.001	G14OR0002A	210,272	-
TOTAL CFDA 95.001			<u>210,272</u>	<u>-</u>
Total Executive Office of the President:			<u>210,272</u>	<u>-</u>

CLACKAMAS COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016

Grantor and Program Title	Federal CFDA Number	Identifying Pass Through Entity Number	Federal Expenditures	Amount Provided to Subrecipients
Dept of Homeland Security				
Passed Through Oregon State Marine Department: Boating Safety Financial Assistance	97.012	030200020005011	\$ 195,714	\$ -
Passed Through United Way: Emergency Food and Shelter National Board Program	97.024	708000-005	18,503	18,503
Passed Through Oregon Military Office of Emergency Management				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)-2015 Winter Storm	97.036	FEMA-DR-4258-OR	20,365	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)-2015 Winter Storm	97.036	FEMA-DR-1733-OR	11,398	-
TOTAL CFDA 97.036			<u>31,763</u>	<u>-</u>
Emergency Management Performance Grants	97.042	15-503	209,559	-
Emergency Management Performance Grants	97.042	14-503	36,102	-
TOTAL CFDA 97.042			<u>245,661</u>	<u>-</u>
State Homeland Security Program	97.067	15-206	2,110	-
State Homeland Security Program	97.073	15-205	3,927	-
State Homeland Security Program	97.073	14-209	20,000	-
State Homeland Security Program	97.073	15-204	6,000	-
State Homeland Security Program	97.073	14-208	3,262	-
TOTAL CFDA 97.073			<u>33,189</u>	<u>-</u>
Total Dept. of Homeland Security			<u>526,940</u>	<u>18,503</u>
Total Expenditures of Federal Awards:			<u><u>\$ 70,230,542</u></u>	<u><u>\$ 2,124,836</u></u>

**CLACKAMAS COUNTY, OREGON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

1. The Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federally funded programs of Clackamas County, Oregon (the County), except for the Housing Authority of Clackamas County and the Workforce Investment Council of Clackamas County, Inc. (WICCO), which issue separate reports. The reporting entity is defined in Note 1 to the County's basic financial statements. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in financial position, or the cash flows of the County.

2. The Schedule is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenses are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where applicable.

3. Election of De Minimis Indirect Rate

During the current year end, June 30, 2016, the County did not elect to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Revolving Loan Programs

The County makes loans to developers for the construction of low-income housing units. The seed money for these loans used to establish the program initially was provided through Federal funds under the HOME Investment Partnerships Program (CFDA #14.239), Community Development Block Grants/Entitlement Grants (CFDA #14.218) and Neighborhood Stabilization Program (Recovery Act Funded, CFDA #14.256). The County's responsibility over these loans is to ensure that a specified percentage of the total rental units are rented to low-income individuals, and the ongoing compliance requirements relate to the accumulated loan balances.

The outstanding loan balances as of June 30, 2016 consists of:

<u>CFDA</u>	<u>Program Name</u>	<u>Outstanding Balance at June 30, 2016</u>
	U.S. Department of Housing and Urban Development	
14.218	Community Development Block Grants	\$ 6,677,359
14.239	HOME Investment Partnerships Program	16,505,900
14.256	Community Development Block Grants (NSP-2 ARRA)	713,656

**CLACKAMAS COUNTY, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: *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 federal 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 2 CFR 200.516(a)? Yes No

Identification of Major Federal Programs and Type of Auditor's Report Issued on Compliance for Major Federal Programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for Major Federal Programs</i>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	<i>Unmodified</i>
14.239	Home Investment Partnerships Program	<i>Unmodified</i>
15.227	Distribution of Receipts to State and Local Governments	<i>Unmodified</i>
20.205	Highway Planning and Construction Cluster	<i>Unmodified</i>
81.042	Weatherization Assistance for Low-Income Persons	<i>Unmodified</i>
93.069	Public Health Emergency Preparedness	<i>Unmodified</i>
93.224, 93.527	Health Center Program Cluster	<i>Unmodified</i>
93.568	Low-Income Home Energy Assistance Program (LIHEAP)	<i>Unmodified</i>

Dollar threshold used to distinguish between type A and type B programs: \$ 2,106,916

Auditee qualified as low-risk auditee? Yes No

**CLACKAMAS COUNTY, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section II - Financial Statement Findings

**FINDING 2016-001 – Material Misstatement in Schedule of Expenditures of Federal Awards
(Material Weakness in Internal Controls)**

Criteria or specific requirement (including statutory, regulatory, or other citation): The Uniform Guidance states the auditee must prepare a schedule of expenditures of federal awards for the period covered by the auditee's financial statements, which must include the total federal awards expended as determined by Title 2 Code of Federal Regulations 200.502. The Uniform Guidance states the determination of when an award is expended must be based on when the activity related to the federal award occurs. In addition to common grant activities such as direct appropriations, amounts passed through to subrecipients, and loan and loan guarantees, program income is a grant activity reported in the schedule of expenditures of federal awards. Program income is gross income, earned by a recipient, subrecipient, or a contractor under a grant, directly generated by the grant supported activity or earned as a result of the award. Program income includes, but is not limited to, income from fees for services performed; and charges for the use or rental of real property, equipment or supplies acquired under the grant. The Uniform Guidance provides the basis for determining expenditures for program income occurs when the program income is received or used.

Condition: Certain County Departments/Division are not utilizing the centralized services of Grants Office within the Department of Finance. For those Departments/Divisions, the County did not have procedures in place, to ensure program income received or used was reported as an expenditure in the schedule of expenditures of federal awards.

Context: During our testing of the Health Center Cluster major federal program we identified \$26.9 million of estimated program income on the notice of award authorization. The program income is generated from fees for services performed.

Effect: Due to the condition noted above, a \$26.4 million correction was made to add additional expenditures to the schedule of expenditures of federal awards.

Cause: No internal controls were in place to ensure the program income was reported to the County Department of Finance Grants Office, which is responsible for preparing the schedule of expenditures of federal awards.

Recommendation: We recommend the implementation of internal controls designed to ensure the County's Health Clinics Division prepares and reconciles a report of the amount of program income received and used on a monthly basis. The County's Health Clinics Division should then provide the County Department of Finance Grants Office with the amount of program income received and used monthly for their records to assist in the annual preparation of the schedule of expenditures of federal awards.

Views of responsible officials and planned corrective actions: We concur with the auditors findings and will implement the recommended procedure in Spring of 2017. To date, staff from both offices have met and discussed program income at length. Additionally, the Health Centers Division is now supplying the Finance Grants Office with copies of their quarterly and annual grant reports.

**CLACKAMAS COUNTY, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section III - Federal Award Findings and Questioned Costs

None reported.

**CLACKAMAS COUNTY, OREGON
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENT FINDING 2016-001 – Material Misstatement in Schedule of Expenditures of Federal Awards (Material Weakness in Internal Controls)

Name of contact person responsible for correction action: Toni Hessevick, Grants Manager

Corrective action planned: We concur with the auditors findings and will implement the recommended procedure in Spring of 2017. To date, staff from both offices have met and discussed program income at length. Additionally, the Health Centers Division is now supplying the Finance Grants Office with copies of their quarterly and annual grant reports.

Anticipated date of corrective action: May 1, 2017

**CLACKAMAS COUNTY, OREGON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

Follow up on findings reported June 30, 2015

Federal Award Findings and Questioned Costs

FINDING 2015-001 – Requesting Funds Through Federal Financial Reports (Significant Deficiency in Internal Controls and Instance of Noncompliance)

Condition: Total cash draws for the Children Youth and Families Division first and second quarters of fiscal year 2015 were more than expenditures reported to the DOJ, despite the requirement the County should time their drawdown requests to ensure Federal cash on hand is the minimum needed for disbursements/reimbursements. The cash draws and federal financial reports were not based on the detailed accounting records, but rather estimated figures. In one case, the supporting documentation for the cash draw could not be located. In addition, one individual was responsible for preparing the cash draws and no additional approval occurred.

Recommendation: Policies should contain procedures requiring steps for complying with federal cash management regulations, requesting grant funds through federal financial reports, and reconciling federal financial reporting with the accounting records at least on a quarterly basis. An individual with knowledge of the accounting system should be responsible for requesting grant funds and preparing federal financial reports, and another individual should be responsible for reviewing that information before submitting federal reports, to ensure appropriate segregation of duties

Status of Finding: Fully resolved.