

Clackamas County, Oregon

Audit of Federal Awards Performed in
Accordance with U.S. Office of Management and
Budget Circular A-133
and Supplemental Information



For The Fiscal Year Ended June 30, 2015

CLACKAMAS COUNTY, OREGON

Audit of Federal Awards Performed in
Accordance with U.S. Office of Management and
Budget Circular A-133
and Supplementary Information
Year Ended June 30, 2015

**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 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, and the aggregate remaining fund information of Clackamas County, Oregon (the County) as of and for the year ended June 30, 2015, 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 30, 2015. 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. 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.



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*.

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 30, 2015

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

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

Report on Compliance for Each Major Federal Program

We have audited Clackamas County'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, 2015. 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 \$14,268,309 and \$3,943,009, respectively, in federal awards which are not included in the schedule during the year ended June 30, 2015. Our audit, described below, did not include the operations of the Authority because the Authority elects to perform a separate audit in accordance with OMB Circular A-133. Our audit also did not include the operations of WICCO because WICCO elects to perform a separate audit in accordance with OMB Circular A-133.

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.

MOSS ADAMS LLP

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 other major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

The County's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

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.

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 preceding paragraph 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 a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questions costs as item 2015-001 that we consider to be a significant deficiency.

MOSS ADAMS_{LLP}

The County's response to the internal control over compliance 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 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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited 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 the County as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 30, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial 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 basic 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 basic financial statements as a whole.

Moss Adams, LLP

Eugene, Oregon
February 9, 2016

CLACKAMAS COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

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:				
Cooperative Forestry Assistance	10.664		130,002	-
School and Roads - Grants to States	10.665		33,180	-
Passed Through Oregon State Department of Administrative Services:				
School and Roads - Grants to States	10.665	ORS 293.560	1,374,022	-
TOTAL FOREST SERVICE SCHOOLS & ROADS CLUSTER:			1,407,202	-
Passed Through U.S. Department of Agriculture				
Specialty Crop Block Grant Program - Farm Bill	10.170	ODAA3504GR	4,638	-
Passed through Oregon Health Authority:				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	142002	1,019,054	-
Total U.S. Department of Agriculture:			2,560,896	-
U.S. Department of Housing and Urban Development:				
Direct Programs:				
HOME Investment Partnerships Program	14.239		2,990,611	8,457
Community Development Block Grants/Entitlement Grants	14.218		2,396,982	45,000
Emergency Solutions Grant Program	14.231		189,311	118,482
Continuum of Care Program	14.267		26,245	-
Supportive Housing Program	14.235		487,767	-
Passed through Central City Concern:				
Supportive Housing Program	14.235	BH- 14/15	150,436	132,435
TOTAL CFDA 14.235:			638,203	-
Total U.S. Department of Housing and Urban Development:			6,241,352	304,374
U.S. Department of the Interior:				
Direct programs:				
Non-Sale Disposals of Mineral Material	15.214		90,346	-
Recreation Resource Management	15.225		25,033	-
Payments in Lieu of Taxes	15.226		569,096	-
Distribution of Receipts to State & Local Governments	15.227		1,115,683	116,664
Secure Rural Schools and Community Self-Determination	15.234		50,571	-
Passed Through Oregon State Marine Board:				
Clean Vessel Act Program	15.616	03020002000011	1,350	-
Total U.S. Department of the Interior:			1,852,079	116,664
U.S. Department of Justice:				
Direct programs:				
Second Chance Act Reentry Initiative	16.812		307,605	-
Joint Law Enforcement Operations	16.111		16,833	-
Public Safety Partnership & Community Policing Grants	16.710		117,828	-
Enhanced Training and Services to End Violence and Abuse of Women Later in Life	16.528		132,694	68,367
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589		293,265	103,404
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Programs	16.590		85,685	-
Equitable Sharing Program	16.922		37,911	-
Drug Court Discretionary Grant Program	16.585		67,585	-
State Criminal Alien Assistance Program	16.606		52,785	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738		37,596	-
Passed Through Criminal Justice Commission:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	BJ-13-022	122,231	-
TOTAL CFDA 16.738			159,827	-
Passed Through Oregon State Police:				
Juvenile Accountability Block Grants	16.523	2012-6303	11,241	-
Passed Through Oregon Department of Justice:				
Crime Victim Assistance	16.575	DAVAP-00029	96,785	-
Total U.S. Department of Justice:			1,380,044	171,771
U. S. Department of Labor				
Passed Through Workforce Investment Council of Clackamas County				
WIA/WIOA Adult Program	17.258	12-13-3	109,600	-
WIA/WIOA YOUTH ACTIVITIES	17.259	13-14-2	35,892	-
WIA/WIOA Dislocated Worker Formula Grants	17.278	12-13-3	121,400	-
TOTAL WIA CLUSTER:			266,892	-
Reintegration of Ex-Offenders	17.270	12-13-3	576,422	-
Workforce Innovation Fund	17.283	12-13-3	158,903	-
Total U. S. Department of Labor			1,002,217	-

CLACKAMAS COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Transportation:

Direct Programs:				
Highway Planning and Construction	20.205		225,286	-
Passed through Oregon State Department of Transportation:				
Highway Planning and Construction	20.205	25070	1,265,046	-
Highway Planning and Construction	20.205	27472	94,777	-
Highway Planning and Construction	20.205	28216	742	-
Highway Planning and Construction	20.205	26210	118,196	-
Highway Planning and Construction	20.205	27945	24,506	-
Highway Planning and Construction	20.205	25214	7,381	-
Highway Planning and Construction	20.205	28737	242,813	-
Highway Planning and Construction	20.205	27884	1,100	-
Highway Planning and Construction	20.205	30687	311	-
Highway Planning and Construction	20.205	30522	6,762	-
Highway Planning and Construction	20.205	1315WKZN-421 EEE	8,484	-
Highway Planning and Construction	20.205	1315WKZN-421 EEE	658	-
TOTAL HIGHWAY PLANNING AND CONSTRUCTION CLUSTER:			<u>1,996,062</u>	-
Passed through Oregon State Department of Transportation:				
National Motor Carrier Safety	20.218	29917	40,680	-
Formula Grants for Rural Areas	20.509	29258	79,681	-
Paul S. Sarbanes Transit in the Parks	20.520	29469	308,929	-
Direct Programs:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		188,484	-
Passed through Ride Connection:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	02-0803CTC	28,815	-
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	29297-CC	30,268	-
Passed through Oregon State Department of Transportation:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	29295	11,824	-
TOTAL CFDA 20.513			<u>259,391</u>	-
New Freedom Program	20.521	29297-CC	9,779	-
TOTAL TRANSIT SERVICES PROGRAMS CLUSTER:			<u>269,170</u>	-
Passed Through Oregon State Sheriff's Association:				
National Priority Safety Programs	20.616	M5HVE-14-12-21	1,124	-
National Priority Safety Programs	20.616	M1HVE-14-46-08	6,100	-
Oregon State, Dept. of Transportation - Transportation Safety Division				
State and Community Highway Safety	20.600	K4SA-14-25-08	30,043	-
State and Community Highway Safety	20.600	SA15-25-08	12,814	-
State and Community Highway Safety	20.600	SC-14-35-05CCS	5,418	-
TOTAL HIGHWAY SAFETY CLUSTER:			<u>55,499</u>	-
Total U.S. Department of Transportation:			<u><u>2,750,021</u></u>	-
General Services Administration				
Passed Through Dept. of Administrative Services:				
Donation of Federal Surplus Personal Property	39.003	ORS 272.085	637	-
Total General Services Administration			<u>637</u>	-
Environmental Protection Agency:				
Passed Through Oregon Health Authority:				
State Public Water System Supervision	66.432	136933A	49,158	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468	136933B	49,158	-
Total Environmental Protection Agency:			<u>98,316</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	F14-52117-003	18,122	-
Passed through Oregon State Housing and Community Services:				
Weatherization Assistance for Low-Income Persons	81.042	MGA 3046	141,852	-
Total U.S. Department of Energy:			<u>159,974</u>	-
U.S. Department of Education:				
Passed Through Oregon Department of Education:				
Race to the Top - Early Learning Challenge	84.412	35024	33,629	-
Race to the Top - Early Learning Challenge	84.412	35681	50,000	-
Total U.S. Department of Education:			<u>83,629</u>	-

CLACKAMAS COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Health and Human Services:

Direct Programs:				
Affordable Care Act (ACA) Grants for Capital Development in Health Centers	93.526		250,000	-
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224		700,447	-
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program	93.527		799,565	-
TOTAL HEALTH CENTERS CLUSTER:			<u>1,500,012</u>	<u>-</u>
Substance Abuse & Mental Health Services_Projcts of Regional and National Significance	93.243		129,211	-
Passed Through Oregon Health Authority:				
Substance Abuse & Mental Health Services_Projcts of Regional and National Significance	93.243	134303	82,753	-
TOTAL CFDA 93.243			<u>211,964</u>	<u>-</u>
Passed Through Oregon State Senior & Disabled Services				
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services & Senior Centers	93.044	142998-2	425,854	171,371
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	142998-2	206,833	94,883
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	142998-2	308,653	163,683
Nutrition Services Incentive Program	93.053	142998-2	185,951	89,652
TOTAL AGING CLUSTER			<u>1,127,291</u>	<u>-</u>
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	142998-2	4,571	-
Special Programs for the Aging_Title III, Part D_Disease Prevention & Health Promotion Services	93.043	142998-2	18,677	13,379
National Family Caregiver Support, Title III, Part E	93.052	142998-2	157,825	42,486
Passed Through Oregon Health Authority:				
Public Health Emergency Preparedness	93.069	14202	217,102	-
Passed Through Washington County:				
Public Health Emergency Preparedness	93.069	CA11-1265	28,133	-
TOTAL CFDA 93.069			<u>245,235</u>	<u>-</u>
Passed Through Oregon Health Authority				
Environmental Public Health and Emergency Response	93.070	142002	1,464	-
Project Grants & Cooperative Agreements for Tuberculosis Control Programs	93.116	280549	5,854	-
Block Grants for Community Mental Health Services	93.958	134303	270,118	270,118
Block Grants for Prevention and Treatment of Substance Abuse	93.959	134303	359,964	162,297
Family Planning_Services	93.217	280558	38,305	-
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	142002	53,014	-
HIV Prevention Activities_Health Department Based	93.940	142002	73,116	-
Passed Through Oregon Office of Children and Families				
Social Services Block Grant	93.667	9878	353,475	337,029
Promoting Safe and Stable Families	93.556	9478	48,373	-
Medical Assistance Program	93.778	9748	39,468	39,468
TOTAL MEDICAID CLUSTER			<u>39,468</u>	<u>-</u>
Passed Through Oregon State Housing & Community Services Division				
Temporary Assistance for Needy Families	93.558	MGA 3046	35,502	-
TOTAL TANF CLUSTER			<u>35,502</u>	<u>-</u>
Community Services Block Grant	93.569	MGA 3046	229,527	-
Low Income Home Energy Assistance	93.568	MGA 3046	1,535,751	800
Low Income Home Energy Assistance	93.568	120413-02	255,156	-
TOTAL CFDA 93.568			<u>1,790,907</u>	<u>-</u>
Passed Through Oregon Department of Justice				
Child Support Enforcement	93.563	07-GOV-DA-03	1,256,967	-
Passed Through Providence				
Health Care Innovation Awards (HCIA)	93.610	CMS330985	289,740	164,981
Passed Through Oregon State Department of Human Services				
Foster Care Title IV-E	93.658	143653	79,933	-
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	23,771	-
Passed Through to Oregon Health Sciences University				
Maternal & Child Health Services Block Grant to the States	93.994	4B04MC06604-01-044	49,600	-
Passed Through to Oregon Health Authority				
Maternal & Child Health Services Block Grant to the States	93.994	142002	111,676	-
TOTAL CFDA 93.994:			<u>161,276</u>	<u>-</u>
Total U.S. Department of Health and Human Services:			<u>8,626,349</u>	<u>1,550,146</u>
Corporation for National and Community Service:				
Direct Programs:				
Retired and Senior Volunteer Program	94.002		72,098	-
Senior Companion Program	94.016		91,586	-
TOTAL Foster Grandparent/Senior Companion CLUSTER			<u>91,586</u>	<u>-</u>
Total Corporation for National and Community Service:			<u>163,684</u>	<u>-</u>

CLACKAMAS COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Executive Office of the President:

Passed Through Oregon Department of Justice				
High Intensity Drug Trafficking Areas Program	95.001	G14OR0002A	41,954	-
High Intensity Drug Trafficking Areas Program	95.001	2014-111	5,596	-
TOTAL CFDA 95.001			<u>47,550</u>	<u>-</u>
Total Executive Office of the President:			<u>47,550</u>	<u>-</u>

Dept of Homeland Security

Passed Through Oregon State Marine Department:				
Boating Safety Financial Assistance	97.012	030200020005011	332,375	-
Passed Through United Way:				
Emergency Food and Shelter National Board Program	97.024	708000-005	73,918	73,784
Passed Through Oregon Military Office of Emergency Management				
Hazard Mitigation Grant	97.039	DR-1956.0003	66,847	-
Emergency Management Performance Grants	97.042	13-503	61,451	-
Emergency Management Performance Grants	97.042	14-503	<u>253,799</u>	<u>-</u>
TOTAL CFDA 97.042			315,250	-
State Homeland Security Program	97.073	13-205	13,744	-
State Homeland Security Program	97.073	13-206	122,026	-
State Homeland Security Program	97.073	13-204	73,386	-
State Homeland Security Program	97.073	13-207	20,000	-
State Homeland Security Program	97.073	14-208	3,997	-
State Homeland Security Program	97.073	14-210	<u>24,250</u>	<u>-</u>
TOTAL CFDA 97.073			<u>257,403</u>	<u>-</u>
Total Dept. of Homeland Security			<u>1,045,793</u>	<u>73,784</u>
Total Expenditures of Federal Awards:			<u>26,012,541</u>	<u>2,216,739</u>

CLACKAMAS COUNTY, OREGON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

1. The Schedule of Expenditures of Federal Awards presents the activity of all federally funded programs of Clackamas County, Oregon, 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 Clackamas County, Oregon's basic financial statements. 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*. 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 of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to Clackamas County, Oregon's basic financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, and 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Revolving Loan Programs

Clackamas 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 listed below.

Gross loans receivable at June 30, 2015 amount to:

	CFDA NUMBER	AMOUNT
Home Investment Partnership Program	14.239	\$ 16,752,452
Community Development Block Grants/Entitlement Grants	14.218	6,618,975
Neighborhood Stabilization Program (Recovery Act Funded)	14.256	775,638

**CLACKAMAS COUNTY, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

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 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 section 510(a) of Circular A-133?

Yes No

Identification of Major Federal Programs

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued</i>
14.218	Community Development Block Grants/Entitlement Grants	<i>Unmodified</i>
14.239	Home Investment Partnerships Program	<i>Unmodified</i>
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	<i>Unmodified</i>
20.513, 20.516, 20.521	Transit Services Programs Cluster	<i>Unmodified</i>
93.044, 93.045, 93.053	Aging Cluster	<i>Unmodified</i>
93.568	Low-Income Home Energy Assistance Program (LIHEAP)	<i>Unmodified</i>
93.667	Social Services Block Grant	<i>Unmodified</i>
93.959	Block Grants for Prevention & Treatment of Substance Abuse	<i>Unmodified</i>

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

\$ 642,018

Auditee qualified as low-risk auditee?

Yes No

**CLACKAMAS COUNTY, OREGON
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2015**

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

FINDING 2015-001 - Requesting Funds Through Federal Financial Reports (Significant Deficiency in Internal Controls and Instance 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>
16.589	Rural Domestic Violence, Dating Violence, etc.	2013-WR-AX-0031	2014 - 2015	None

Criteria or specific requirement (including statutory, regulatory, or other citation): Per Title 28 CFR 66.21, paragraph (c) *Advances* - grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee. Paragraph (d) *Reimbursement* goes on to state reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met.

Further guidance provided by the Department of Justice (DOJ) in the Office Against Violence of Women Financial Grants Management Guide (the Guide) states that in order to minimize the amount of cash on hand, grant recipients should request funds based upon disbursement/reimbursement requirements. Funds will not be paid in a lump sum, but rather disbursed over time as project costs are incurred or anticipated. Recipients should time their drawdown requests to ensure that Federal cash on hand is the minimum needed for disbursements/reimbursements to be made immediately or within 10 days. Chapter 12: *Reporting Requirements, Federal Financial Reports*, of the Guide goes on to require award recipients will report program outlays and revenue on a cash or accrual basis in accordance with their accounting system.

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.

Context: During fiscal year 2015 the Division had three cash draws totaling \$264,163, and we tested two of those cash draws totaling \$199,196. The County can draw funds on the advance method directly from the DOJ through the Grant Payment Request System, however, the County established controls internally following the reimbursement method, where expenditures occur prior to the funds being drawn.

**CLACKAMAS COUNTY, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Section III - Federal Award Findings and Questioned Costs (Continued)

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

Questioned Costs: None

Effect: The cash draws were not supported by immediate disbursement needs, and federal financial reports did not agree with the underlying accounting records.

Cause: Procedures were not in place to ensure funds requested through the GPRS were supported by accounting records, and no additional review or approval occurred for the requested funds and federal financial reports.

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.

Views of responsible officials and planned corrective actions: The County's official policy is that cash management regulations should be adhered to, only knowledgeable staff are authorized to prepare federal financial reports and request federal funds, and that such reports and requests require review and approval. The Department of Finance's Grants Office has drafted a County Grants Manual codifying these policies and procedures. In addition, the Grants Office is now providing federal grants services to the Children Youth and Families Division. The Division is working in collaboration with the Grants Office to remedy this Finding.

**CLACKAMAS COUNTY, OREGON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

Follow-up on findings reported June 30, 2014

Financial Statement Findings

FINDING 2014-001 – Transferred Property (Significant Deficiency in Internal Control)

Condition: A County Board order transferred ownership of infrastructure to the City of Damascus (the City) in fiscal year 2008, but the property was not removed from the County’s financial records until 2014.

Recommendation: In 2012 the County performed a significant review over the existence and rights assertions of its largest capital assets. This capital asset inventory review was scoped by dollar amount to ensure the largest dollar assets were tested. With that project completed, we recommend the County expand the scope of its review. We also recommend the County closely examines completed new developments to ensure the related assets are properly accounted for, such as tax credits and system development charges.

Status of Finding: Fully resolved.

Federal Award Findings and Questioned Costs

FINDING 2014-002 – Allowable Costs: Payroll Level of Effort Reporting (Material Weakness in Internal Controls and Material Instance of Noncompliance)

Federal Programs: Block Grants for Community Mental Health Services, *CFDA #93.958* – Block Grants for Prevention and Treatment of Substance Abuse, *CFDA #93.959*

Condition: Payroll related expenses for some employees were charged to the award based upon an allocation (budget estimate) setup in the payroll system, irrespective of the actual amount worked on the award.

Recommendation: We recommended payroll charged to the award using budgets or estimates include a process substantiating the actual level of effort incurred on the award. This should include a methodology providing a historical context of the actual work performed by employees. This process should occur on a consistent and regular basis (quarterly) and include an evaluation of variances between the estimates and actual amounts. A reconciliation and true up between the estimate and actual amounts should occur at least annually.

Status of Finding: Fully resolved.

**CLACKAMAS COUNTY, OREGON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

FINDING 2014-003 – Subrecipient Monitoring (Significant Deficiency in Internal Control and Instances of Noncompliance) – Repeat Finding

Federal Programs: Aging Cluster, CFDA #s 93.044, 93.045, 93.053

Condition: The County's process for obtaining and reviewing subrecipient audit reports was not consistently performed during fiscal year 2014. Once this finding was reported two years ago, the County took corrective action, which included developing policies and procedures for monitoring subrecipients in accordance with OMB Circular A-133. However, due to staffing constraints, the County was not fully able to implement these procedures for this program as of June 30, 2014.

Recommendation: We understand that the Finance Department received budget authority in Fiscal Year 2014-15 to recruit and hire a position dedicated to the fiscal monitoring of subrecipients. We recommend the County continue its efforts to fill this position and complete its implementation of policies and procedures for monitoring subrecipients with OMB Circular A-133, including tracking responses and following up with nonresponsive subrecipients.

Status of Finding: Fully resolved.