

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, 2013

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, 2013

**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, 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 December 31, 2013. 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. Our report included an emphasis of matter paragraph regarding the County's correction of certain errors by restating its governmental activities' assets and net position, restating its Community Development Fund assets, liabilities and fund balance and restating its Non-Major Governmental Fund assets and fund balance, each as of June 30, 2012.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2013-001 and 2013-002 to be material weaknesses.

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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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-003 to be a significant deficiency.

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*.

Clackamas County's Response to Findings

Clackamas County's response to the findings 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 31, 2013

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 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.

The County's basic financial statements include the operations of the Housing Authority of Clackamas County (the Authority), which received \$14,987,250 in federal awards which is not included in the schedule during the year ended June 30, 2013. Our audit, described below, did not include the operations of the Authority because the Authority elects to prepare its own schedule, which is separately audited.

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.

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Basis for Qualified Opinion on CFDA #93.044, 93.045, 93.053 - Aging Cluster, CFDA #93.958 - Block Grants for Community Mental Health Services, and CFDA #93.959 - Block Grants for Prevention and Treatment of Substance Abuse

As described in Findings 2013-004 and 2013-005 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding the following:

Finding #	CFDA #	Name of Federal Program or Cluster	Compliance Requirement
2013-004	93.044, 93.045, 93.053	Aging Cluster	Subrecipient Monitoring
2013-004	93.958	Block Grants for Community Mental Health Services	Subrecipient Monitoring
2013-004	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Subrecipient Monitoring
2013-005	93.958	Block Grants for Community Mental Health Services	Procurement and Suspension and Debarment
2013-005	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Procurement and Suspension and Debarment

Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to the identified major federal programs.

Qualified Opinion on CFDA #93.044, 93.045, 93.053 - Aging Cluster, CFDA #93.958 - Block Grants for Community Mental Health Services, and CFDA #93.959 - Block Grants for Prevention and Treatment of Substance Abuse

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions section, 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 CFDA #93.044, 93.045, 93.053 - *Aging Cluster*, CFDA #93.958 - *Block Grants for Community Mental Health Services*, and CFDA #93.959 - *Block Grants for Prevention and Treatment of Substance Abuse* for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

Other Matters

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

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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.

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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-004 and 2013-005 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The County's response to the internal control over compliance findings identified in our audit are described in the 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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 31, 2013, 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 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 basic financial statements as a whole.

Moss Adams, LLP

Eugene, Oregon
February 5, 2014

**CLACKAMAS COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

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		\$ 78,650	\$ -
School and Roads - Grants to States	10.665		65,027	-
Passed Through Oregon State Dept of Administrative Services:				
School and Roads - Grants to States	10.665	PL106-103	2,293,271	718,238
TOTAL SCHOOLS & ROADS CLUSTER			<u>2,358,298</u>	<u>718,238</u>
Passed Through Oregon Health Authority:				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	280664	1,008,532	-
WIC Grants to States (WGS)	10.578	109323	10,212	-
Total U.S. Department of Agriculture:			<u>3,455,692</u>	<u>718,238</u>
U.S. Department of Commerce:				
Direct Programs:				
ARRA - Broadband Technology Opportunities Program	11.557		1,498,118	-
Total U.S. Department of Commerce:			<u>1,498,118</u>	<u>-</u>
U.S. Department of Housing and Urban Development:				
Direct Programs:				
Community Development Block Grants/Entitlement Grants	14.218		1,941,419	38,425
Community Development Block Grants/Entitlement Grants - Program Income	14.218		391,792	-
Passed Through Oregon Housing & Community Services:				
Community Development Block Grants/Entitlement Grants - Program Income	14.218	1088	17,303	-
TOTAL COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS CLUSTER			<u>2,350,514</u>	<u>38,425</u>
Direct Programs:				
Emergency Solutions Grant Program	14.231		185,466	89,937
Passed Through Oregon Housing & Community Services:				
ARRA - Neighborhood Stabilization Program	14.256	NSP-2	126,786	-
ARRA - Neighborhood Stabilization Program - Program Income	14.256	NSP-2	78,994	-
TOTAL CFDA 14.256			<u>205,780</u>	<u>-</u>
Direct Programs:				
Supportive Housing Program	14.235		482,487	-
Passed Through Central City Concern:				
Supportive Housing Program	14.235	BH-111 11/12	196,902	-
TOTAL CFDA 14.235			<u>679,389</u>	<u>-</u>
Direct Programs:				
HOME Investment Partnerships Program	14.239		194,191	19,870
HOME Investment Partnerships Program - Program Income	14.239		905,759	-
TOTAL CFDA 14.239			<u>1,099,950</u>	<u>19,870</u>
Total U.S. Department of Housing and Urban Development:			<u>4,521,099</u>	<u>148,232</u>
U.S. Department of Interior:				
Direct Programs:				
Non-sale Disposals of Mineral Material	15.214		51,521	-
Recreation Resource Management	15.225		40,513	-
Payments in Lieu of Taxes	15.226		404,022	-
Distribution of Receipts to State & Local Governments	15.227		1,319,257	-
Secure Rural Schools & Community Self-Determination	15.234		70,092	-
Passed Through Oregon State Marine Board:				
Clean Vessel Act	15.616	03020002000011	1,350	-
Total U.S. Department of Interior:			<u>1,886,755</u>	<u>-</u>

**CLACKAMAS COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Grantor and Program Title	Federal CFDA Number	Identifying Pass Through Entity Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Justice:				
Direct Programs:				
Joint Law Enforcement Operations (JLEO)	16.111		\$ 13,778	\$ -
Enhanced Training and Services to End Violence and Abuse of Women Later in Life	16.528		87,097	-
State Criminal Alien Assistance Program	16.606		98,499	-
Bulletproof Vest Partnership Program	16.607		874	-
Public Safety Partnership & Community Policing Grants	16.710		42,466	-
Criminal & Juvenile Justice & Mental Health Collaboration Program	16.745		109,334	-
Equitable Sharing Program	16.922		31,646	-
Passed Through Oregon State Department of Justice:				
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	9646	10,290	-
Passed through University of Cincinnati:				
Drug Court Discretionary Grant Program	16.585	COEUS #005251	399	-
Direct Programs:				
ARRA Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to Units of Local Government	16.804		1,516	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738		27,987	-
Passed Through Oregon Department of Transportation:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	SC-12-35-05CCS	23,602	-
Passed Through Oregon State Criminal Justice Commission:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	LE020-11 JAG	15,870	-
<i>TOTAL JUSTICE ASSISTANCE GRANT PROGRAM CLUSTER</i>			<u>68,975</u>	<u>-</u>
Direct Programs:				
Second Chance Act Prisoner Reentry Initiative	16.812		312,078	-
Passed through Oregon State Department of Corrections:				
Second Chance Act Prisoner Reentry Initiative	16.812	2010-CZ-BW-0037	12,445	-
<i>TOTAL CFDA 16.812</i>			<u>324,523</u>	<u>-</u>
Passed Through Oregon State Police:				
Juvenile Accountability Block Grants	16.523	05-602	24,370	-
Passed Through Oregon Department of Justice:				
Crime Victim Assistance	16.575	99-3389	125,616	-
Crime Victim Assistance	16.575	DAVAP-00016	7,043	-
<i>TOTAL CFDA 16.575</i>			<u>132,659</u>	<u>-</u>
Total U.S. Department of Justice:			<u>944,910</u>	<u>-</u>
U. S. Department of Labor:				
Direct Programs:				
Homeless Veterans Reintegration Project	17.805		28,835	-
Passed Through Clackamas County Workforce Investment Council:				
Reintegration of Ex-Offenders	17.270	12-13-3	234,315	-
Workforce Innovation Fund	17.283	12-13-3	46,592	-
WIA Adult Program	17.258	12-13-3	109,864	-
WIA Dislocated Worker Formula Grants	17.278	12-13-3	160,586	-
Passed Through Clackamas Education Service District:				
WIA Youth Activities	17.259	ESD 12-13	34,595	-
<i>TOTAL WIA CLUSTER</i>			<u>305,045</u>	<u>-</u>
Total U. S. Department of Labor:			<u>614,787</u>	<u>-</u>

**CLACKAMAS COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Grantor and Program Title	Federal CFDA Number	Identifying Pass Through Entity Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Transportation:				
Passed Through Oregon State Department of Transportation:				
National Motor Carrier Safety	20.218	28994	\$ 71,446	\$ -
Highway Planning and Construction	20.205	25070	83,348	-
Highway Planning and Construction	20.205	27472	336,254	-
Highway Planning and Construction	20.205	28216	66,806	-
Highway Planning and Construction	20.205	27884	114,825	-
Highway Planning and Construction	20.205	28581	132,392	-
Highway Planning and Construction	20.205	26210	81,500	-
Highway Planning and Construction	20.205	26210	53,693	-
Highway Planning and Construction	20.205	27945	710,693	-
Highway Planning and Construction	20.205	27738	1,384,000	-
Highway Planning and Construction	20.205	25214	203,733	-
Highway Planning and Construction	20.205	28737	21,804	-
Highway Planning and Construction	20.205	26432	5,381	-
Highway Planning and Construction	20.205	070908WKZN-421	1,717	-
<i>TOTAL HIGHWAY PLANNING & CONSTRUCTION CLUSTER</i>			<u>3,196,146</u>	<u>-</u>
Passed Through Ride Connection:				
Capital Assitance Program for Elderly Persons and Persons with Disabilities	20.513	02-0803CTC	34,045	22,999
Passed Through Tri Met:				
Job Access and Reverse Commute Program	20.516	JC120177JO	19,261	-
<i>TOTAL TRANSIT SERVICES PROGRAMS CLUSTER</i>			<u>53,306</u>	<u>22,999</u>
Passed Through Oregon State Department of Transportation, Transportation Safety Division:				
State and Community Highway Safety	20.600	SC-13-35-05CCS	40,069	-
State and Community Highway Safety	20.600	K4SA-12-25-08	49,205	-
State and Community Highway Safety	20.600	K4SA-13-25-08	26,775	-
State and Community Highway Safety	20.600	PS-10-68-02	560	-
Passed through Oregon State Sheriff's Association:				
State and Community Highway Safety	20.600	OP-13-45-02	15,759	-
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	K8-13-12-21	12,512	-
<i>TOTAL HIGHWAY SAFETY CLUSTER</i>			<u>144,880</u>	<u>-</u>
Total U.S. Department of Transportation:			<u>3,465,778</u>	<u>22,999</u>
U.S. Environmental Protection Agency:				
Passed Through Oregon Health Authority:				
State Public Water System Supervision	66.432	136933A	58,988	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468	136933B	57,343	-
Total U.S Environmental Protection Agency:			<u>116,331</u>	<u>-</u>
U.S. Department of Energy:				
Direct Programs:				
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128		398,481	-
ARRA - Energy Efficiency and Conservation Block Grant Program - Program Income	81.128		16,713	-
<i>TOTAL CFDA 81.128</i>			<u>415,194</u>	<u>-</u>
Passed Through Oregon State Housing & Community Services:				
Weatherization Assistance for Low-Income Persons	81.042	120213-00	7,593	-
Total U.S. Department of Energy:			<u>422,787</u>	<u>-</u>

**CLACKAMAS COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

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:				
Direct Programs:				
Drug-Free Communities Support Program Grants	93.276		\$ 192,015	\$ -
Affordable Care Act (ACA) Grants for Capital Development in Health Centers	93.526		427,770	-
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224		657,571	-
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program	93.527		501,527	-
<i>TOTAL HEALTH CENTERS CLUSTER</i>			1,159,098	-
Substance Abuse & Mental Health Services_Projects of Regional and National Significance	93.243		368,178	-
Substance Abuse & Mental Health Services_Projects of Regional and National Significance - Program Income	93.243		106,604	-
Passed through Oregon Health Authority:				
Substance Abuse & Mental Health Services_Projects of Regional and National Significance	93.243	134303	120,606	-
<i>TOTAL CFDA 93.243</i>			595,388	-
Passed through Oregon State Senior & Disabled Services:				
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	136598-1	5,120	-
Special Programs for the Aging_Title III, Part D_Disease Prevention & Health Promotion Services	93.043	136598-1	15,348	15,347
National Family Caregiver Support, Title III, Part E	93.052	136598-1	142,537	15,395
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services & Senior Centers	93.044	128568	609,518	235,125
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	136598-1	193,634	78,192
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	136598-1	303,953	178,060
Nutrition Services Incentive Program	93.053	136598-1	171,166	84,678
<i>TOTAL AGING CLUSTER</i>			1,278,271	606,797
Passed through Multnomah County:				
Refugee and Entrant Assistance_State Administered Programs	93.566	460000168	6,160	-
Passed through Oregon Department of Justice:				
Child Support Enforcement	93.563	07-GOV-DA-03	1,063,530	-
Passed Through Washington County:				
Public Health Emergency Preparedness	93.069	CA11-1265	16,328	-
Passed through Oregon Health Authority:				
Public Health Emergency Preparedness	93.069	106213	186,148	-
<i>TOTAL CFDA 93.069</i>			202,476	-
Passed through Oregon Health Authority:				
Project Grants & Cooperative Agreements for Tuberculosis Control Programs	93.116	280549	12,041	-
Family Planning Services	93.217	280558	71,721	-
PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	93.539	280643	134,907	-
HIV Prevention Activities_Health Dept Based	93.940	280501	103,203	88,225
Block Grants for Community Mental Health Services	93.958	134303	1,041,018	678,897
Block Grants for Prevention and Treatment of Substance Abuse	93.959	134303	1,596,993	485,279

**CLACKAMAS COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

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 Health Authority:				
Maternal & Child Health Services Block Grant to the States	93.994	180514	\$ 157,102	\$ -
Passed through Oregon Health Sciences University:				
Maternal & Child Health Services Block Grant to the States	93.994	106212	46,500	-
Passed through Providence Health & Services:				
Maternal & Child Health Services Block Grant to the States	93.994	CMS330985	114,695	-
TOTAL CFDA 93.994			<u>318,297</u>	<u>1,252,401</u>
Passed through Oregon Office of Children and Families:				
Promoting Safe and Stable Families	93.556	CLAC1113	105,164	-
Social Services Block Grant	93.667	CLAC1113	365,070	-
Medical Assistance Program	93.778	CLA-MAC1113	98,030	-
TOTAL MEDICAID CLUSTER			<u>98,030</u>	<u>-</u>
Passed Through Oregon State Consumer and Business Services:				
Centers for Medicare and Medicaid Services(CMS)Research, Demonstrations and Evaluations	93.779	SHIBA11-12-4	11,630	-
Passed through Oregon State Housing & Community Services Division:				
Temporary Assistance for Needy Families	93.558	MGA1367	46,315	-
TOTAL TEMPORARY ASSISTANCE FOR NEEDY FAMILIES CLUSTER			<u>46,315</u>	<u>-</u>
Low Income Home Energy Assistance	93.568	MGA1367	1,477,007	2,457
Low Income Home Energy Assistance	93.568	120411-02	5,397	-
Low Income Home Energy Assistance	93.568	120412-02	51,109	-
Low Income Home Energy Assistance	93.568	120413-02	255,387	-
TOTAL CFDA 93.568			<u>1,788,900</u>	<u>2,457</u>
Community Services Block Grant	93.569	MGA1367	223,086	-
Total U.S. Department of Health and Human Services:			<u>11,004,088</u>	<u>1,861,655</u>
Corporation for National Service:				
Direct Programs:				
Retired and Senior Volunteer Program	94.002		62,476	-
Senior Companion Program	94.016		104,393	-
TOTAL FOSTER GRANDPARENT/SENIOR COMPANION CLUSTER			<u>104,393</u>	<u>-</u>
Total Corporation for National Service:			<u>166,869</u>	<u>-</u>
Executive Office of the President:				
Passed through Oregon Department of Justice:				
High Intensity Drug Trafficking Areas Program	95.001	G13OR0002A	145,223	-
Total Executive Office of the President:			<u>145,223</u>	<u>-</u>
U.S. Department of Homeland Security:				
Passed through Oregon Military Office of Emergency Management:				
Hazard Mitigation Grant	97.039	DR-1824	18,820	-
Hazard Mitigation Grant	97.039	DR-1956.0002	473,749	-
Hazard Mitigation Grant	97.039	DR-1956.0005	221	-
Hazard Mitigation Grant	97.039	DR-1824.008	112,450	-
TOTAL CFDA 97.039			<u>605,240</u>	<u>-</u>
Emergency Management Performance Grants	97.042	12-504	412,830	-
State Homeland Security Program	97.073	11-214	12,497	-
State Homeland Security Program	97.073	11-213	16,486	-
TOTAL CFDA 97.073			<u>28,983</u>	<u>-</u>

**CLACKAMAS COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Grantor and Program Title	Federal CFDA Number	Identifying Pass Through Entity Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Homeland Security: (continued)				
Passed through Oregon State Marine Department:				
Boating Safety Financial Assistance	97.012	030200020005011	\$ 86,526	\$ -
Passed through City of Portland:				
Non-Profit Security Program	97.008	52306	777,951	511,238
Passed through United Way:				
Emergency Food and Shelter National Board Program	97.024	FEMA 28	64,639	-
Total U.S. Department of Homeland Security:			<u>1,976,169</u>	<u>511,238</u>
Total Federal Expenditures:			<u>\$ 30,218,606</u>	<u>\$ 3,262,362</u>

CLACKAMAS COUNTY, OREGON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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.
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*, 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, 2013 amount to:

	CFDA NUMBER	AMOUNT
Home Investment Partnership Program	14.239	\$ 14,000,225
Community Development Block Grants/Entitlement Grants	14.218	6,966,508
Neighborhood Stabilization Program (Recovery Act Funded)	14.256	875,638

**CLACKAMAS 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>
10.557	Special Supplemental Nutrition Program (WIC)	<i>Unmodified</i>
11.557	Broadband Technology Opportunities Program	<i>Unmodified</i>
14.239	Home Investment Partnership Program	<i>Unmodified</i>
15.227	Distribution of Receipts to State & Local Governments	<i>Unmodified</i>
20.205	Highway Planning & Construction Cluster	<i>Unmodified</i>
93.044, 93.045, 93.053	Aging Cluster	<i>Modified</i>
93.224, 93.527	Health Centers Cluster	<i>Unmodified</i>
93.958	Block Grants for Community Mental Health Services	<i>Modified</i>
93.959	Block Grants for Prevention/Treatment of Substance Abuse	<i>Modified</i>

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

\$1,108,824

Auditee qualified as low-risk auditee?

Yes No

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

Section II - Financial Statement Findings

FINDING 2013-001—Classification of Real Property (Material Weakness in Internal Controls)

Criteria: Real property used in operations are not financial resources for budgetary purposes and therefore are not reported in the governmental funds, and should be distinguished from property available for sale, such as foreclosure properties, redevelopment properties, and donated assets held for sale. Properties available for sale, qualify as financial assets because they are acquired with the intent of sale, and will convert to cash in either the current period or a future period.

Condition: Real property currently used in County operations was misclassified as property available for sale, and other redevelopment property marketed with the intent to sell was misclassified as capital assets.

Context: During the fiscal year 2013 financial close and reporting process, financial staff identified and corrected the following misclassifications:

- \$12.2 million of property was reported as a capital asset used in fiscal year 2012 County operations, but was actively marketed with the intent to sell. This redevelopment property met the financial reporting requirements of property available for sale. Upon reclassifying the asset to property held for sale, the asset was revalued at the lower of cost or market and adjusted to \$6.7 million.
- Two properties totaling \$1.6 million were misclassified as property available for sale as of June 30, 2012. These two properties were actually used in fiscal year 2012 County operations, and met the County's accounting policies for capital assets.
- Finally, \$1.6 million of capital assets consisting of land and right of way was owned by the County, but was omitted from the governmental activities' financial statements.

Effect: The County's non-major governmental funds understated assets and fund balance by \$5.1 million as of June 30, 2012, and the County's governmental activities overstated assets and net position by \$3.9 million as of June 30, 2012.

Cause: The controls in place were insufficient to adequately address the communication necessary between operational staff and the accounting staff to indicate which properties the County was using in operations and which properties the County was holding with the intent to sell.

Recommendation: We acknowledge the County began implementing the prior year recommendation of reconciling the tax assessor real property records with the County's real property listing, particularly properties owned by the County's blended component unit, Clackamas County Development Agency. To prevent misclassifications of real property from occurring, County management should periodically review the real property listing and discuss the ongoing plans for each parcel of property. We understand that such recommendations were identified and implemented during the fiscal year 2013 financial close and reporting process. Although County management established collaborative communications regarding more detailed attention to asset classification, additional review procedures could also include following up on real property transactions periodically during the year.

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

Views of responsible officials and planned corrective actions: During the 2013 financial closing process, financial staff performed additional inquiries over the status of County owned properties and a new detailed reconciliation between the Clackamas County Assessor's records of properties owned by the Clackamas County Development Agency compared to properties recorded on the books. The results of these additional procedures were corrections to reclassify certain properties between capital assets and held of sale, as well as added properties that were not previously recorded. Implementing new procedures and controls, while a positive action, can result in audit findings when amounts requiring correction reach materiality. We believe this to be one of those situations.

For fiscal year 2013-14, financial staff plan to continue conducting an annual reconciliation of property records as well as begin this process earlier in the audit season to better align with the Clackamas County financial reporting deadlines. County staff plans to send copies of settlement statements (purchase or sale) to financial staff periodically during the year, to assist in the flow of information.

FINDING 2013-002—Reporting Community Development Loans (Material Weakness in Internal Controls)

Criteria: The County obtains and administers US Department of Housing and Urban Development loans (HUD loans) to finance affordable housing rehabilitation programs. Loan terms allow for repayment of principle or interest over periods ranging 20 to 50 years, unless a triggering event occurs, such as the homeowner's sale of the property.

Condition: HUD loans outstanding from borrowers were identified in the current year as omitted from prior year financial statements. While the County does anticipate bad debt for the loans, repayment of the loans has occurred since the inception of the program and the County does expect to receive a significant amount of principle and interest.

Context: During the fiscal year 2013 financial close and reporting process, financial staff identified and corrected the following errors:

- The County identified an additional amount of \$12.3 million of loans outstanding from borrowers that were not reported in the prior year fund financial statements. Additional review of the Community Development program revealed that, for financial reporting purposes, loans previously excluded were truly collectible. An \$8.0 million allowance for uncollectible loans was established as of June 30, 2012, for the fund financial statements.
- In addition, the Community Development Fund was offsetting reported loan receivable balances with deferred contract receivable balances as of June 30, 2012. Since revenue recognition occurs at the time the County receives loans from HUD, there is no additional revenue to recognize when County loans are repaid by lenders. Therefore, the loan receivable balance should be offset by restricted fund balance when reporting the fund financial statements.

Effect: On the modified accrual basis fund financial statements, the County's Community Development Fund understated assets by \$4.2 million, overstated liabilities by \$8.8 million, and understated fund balance by \$13.0 million as of June 30, 2012. On the full accrual basis, or government-wide financial statements, the County's governmental activities understated assets and net position by \$4.2 million as of June 30, 2012.

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

Cause: County staff did not have clear understanding of the financial reporting requirements for the revolving loan program or adequate written documentation to support the prior accounting treatment used by the County.

Recommendation: We recommend the County design and implement financial close and reporting procedures that report the loan receivable balances maintained in the loan database, and estimate the uncollectible loan receivable balances based on collection history and industry data, in addition to documenting the financial reporting requirements of the revolving loan program.

Views of responsible officials and planned corrective actions: During the 2013 financial closing process, financial staff identified discrepancies in the Community Development affordable housing rehabilitation program and informed Moss Adams. County staff then performed additional inquiries and the results of these inquiries were changes to the previous accounting methods employed. This additional research performed by the financial staff led to material adjustments to the basic financial statements. For FY 2013-14, financial staff will follow the new financial reporting process regarding the balance of the loans receivable and reviewing the allowance account for modified accrual and full accrual financial reporting. This finding does not affect budgetary fund reporting.

FINDING 2013-003—Approval of Hours Worked (Significant Deficiency in Internal Controls)

Criteria: Employee payroll time sheets should be approved by supervisors for accurate reporting of time worked and leave taken. Such review aids in reporting PERS and other benefits, and assists in the prevention of errors, omissions and fraud.

Condition: A significant number of County electronic time sheets were not approved by supervisors.

Context: We reviewed the entire population of electronic payroll time sheets for approval for the period covering July 1, 2012 through April 30, 2013. We determined of the 38,348 electronic payroll time sheets completed during that period, 4,207 time sheets, or 11%, were not approved. The unapproved time sheets occurred throughout a number of County departments, and were not concentrated in any one department.

Effect: Without such approval, the payroll department cannot verify the employees actually worked, or took leave, for the hours that are claimed.

Cause: The County lacked a written policy requiring supervisory review of all electronic time sheets. Despite the lack of such formal policy, County payroll staff did request approval of electronic time sheets in practice. However, exceptions occurred to County payroll staff's request for such approval, particularly with salaried employees.

Recommendation: The County should document its policy requiring the approval of time sheets and implement procedures to enforce time sheet approval. We recommend supervisors approve timesheets for employees before paychecks are issued. Also, the appropriate members of County management should approve timesheets and delegation should comply with the County's policy.

Views of responsible officials and planned corrective actions: County Finance and County Administration have finalized the written payroll approval policy and are currently in the process of distributing the policy County-wide. Prior to this, the County has had an unwritten policy of requiring supervisory review of all electronic timesheets. All employees were trained in the appropriate practices

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

with the implementation of electronic timesheets. The Payroll Unit has implemented a procedure of notifying supervisors of unapproved timesheets prior to each check run during FY 2013-14.

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-004 – Subrecipient Monitoring (Material Weakness in Internal Controls and Material Instance of Non-Compliance) – Repeat Finding

<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 Health & Human Services, comprised of: Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	Various	2012 - 2013	None Reported
93.045	Special Programs for the Aging_Title III, Part C_Nutrition Services			
93.053	Nutrition Services Incentive Program			
93.958	Block Grants for Community Mental Health Services , passed through the State of Oregon, Department of Health & Human Services	134303	2012- 2013	None Reported
93.959	Block Grants for Prevention and Treatment of Substance Abuse , pass through the State of Oregon, Department of Health & Human Services	134303	2011- 2012, 2012- 2013	None Reported

Criteria or specific requirement (including statutory, regulatory, or other citation): OMB Circular A-133, Section 400(d) outlines the responsibilities of recipients of Federal awards regarding funds passed-through to other organizations. Specifically, the pass-through entity is to: (1) monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contract or grant agreements and that performance goals are achieved; and (2) ensure that subrecipients, as qualified, meet the audit requirements of OMB Circular A-133, and to review subrecipient audit findings and corrective action.

Condition: The County's process for monitoring subrecipient activities and obtaining and reviewing subrecipient audit reports was not consistently performed during fiscal year 2013. Once this finding was

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

reported in the prior year, with respect to the Block Grants for Prevention of Substance Abuse Program within the Community Health Division (the Division), the County began taking corrective action during fiscal year 2013. This corrective action includes development of policies and procedures for monitoring subrecipients in accordance with OMB Circular A-133; however, the County had not fully implemented these procedures across all federal programs within the Division as of the close of fiscal year 2013.

Context: In addition, the Division did not perform subrecipient monitoring activities during the year for any of the subrecipients that were selected for testing for these three programs, which included four Aging Cluster subrecipients, three Block Grants for Community Mental Health Services Program subrecipients, and three Block Grants for Prevention and Treatment of Substance Abuse Program subrecipients.

Effect: Monitoring of subrecipient performance, in terms of work performed and audit results, was not completed. Accordingly, funds passed through to the associated subrecipients may not have been used in compliance with grant provisions or could be inappropriate for the services performed.

Cause: The Division responsible for the Aging Cluster, the Block Grants for Community Mental Health Services Program, and the Block Grants for Prevention and Treatment of Substance Abuse Program did not have internal controls in place to monitor the program’s subrecipients for compliance with OMB Circular A-133.

Recommendation: We recommend the County complete the implementation of policies and procedures within the Community Health Division for monitoring subrecipients in accordance with OMB Circular A-133, including training of staff, to ensure and maintain compliance with subrecipient monitoring requirements.

Views of responsible officials and planned corrective actions: The County’s Department of Health, Housing and Human Services (H3S) has identified all known subrecipients of their Divisions. County Finance and County Administration are in the process of finalizing a subrecipient monitoring policy and related procedures to be adopted in FY 2013-14. County Finance is currently assessing the monitoring work to be performed in collaboration with H3S.

FINDING 2013-005 – Procurement and Suspension and Debarment (Material Weakness in Internal Controls and Material Instance of Non-Compliance) – Repeat Finding

<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>
93.958	Block Grants for Community Mental Health Services, passed through the State of Oregon, Department of Health & Human Services	134303	2012-2013	None Reported
93.959	Block Grants for Prevention and Treatment of Substance Abuse, pass through the State of Oregon, Department of Health & Human Services	134303	2011-2012, 2012-2013	None Reported

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

Criteria or specific requirement (including statutory, regulatory, or other citation): Part of the responsibility of an entity receiving federal awards is to accurately determine whether a vendor or subrecipient relationship exists when expending those federal awards. OMB Circular A-133, Section .210(d) states, when making the determination of whether a subrecipient or vendor relationship exists, the substance of the relationship is more important than the form of the agreement. Section 210 further outlines the characteristics of a vendor versus a subrecipient.

Condition: During our testing of these two programs, we noted the County had treated several contracts with third parties for each program as vendors, when in fact the contracts actually met the subrecipient criteria. Once this finding was reported in the prior year with respect to the Block Grants for Prevention of Substance Abuse Program within the Community Health Division, the County began taking corrective action during fiscal year 2013. This corrective action included development of policies and procedures and the use of a newly developed Contract Checklist for properly determining a vendor versus subrecipient relationship for contracts in accordance with OMB Circular A-133. However, the County had not fully implemented these procedures across all federal programs within the Division as of the close of fiscal year 2013.

Context: We found that an incorrect determination was made on one of the three contracts reviewed for the Block Grants for Prevention and Treatment of Substance Abuse Program. Of the five contracts reviewed for the Block Grants for Community Mental Health Services Program, we found that no vendor versus subrecipient analysis was performed on three of the contracts and an incorrect determination was made on one of the remaining two contracts.

Effect: Contracts with third parties incorrectly treated as vendors did not contain the required information for subrecipients. As a result, the County did not perform the required oversight responsibilities on several contracts. Due to the lack of monitoring, the federal funds expended might not be in compliance with grant requirements.

Cause: Staff were either unaware of the characteristics that are indicative of a subrecipient relationship or inaccurately used the Contract Checklist when making the vendor versus subrecipient determination.

Recommendation: We recommend the County complete the implementation of policies and procedures, including training of staff, to ensure proper vendor versus subrecipient determinations are performed on all contracts within the Community Health Division.

Views of responsible officials and planned corrective actions: County Finance has provided training to the Divisions of H3S in making vendor versus subrecipient determinations, in accordance with OMB Circular A-133. In the fall of FY 2013-14, a subrecipient versus vendor checklist was completed for every Federally funded contract or agreement. The Divisions are taking actions to amend agreements or contracts that inappropriately identified subrecipients as vendors.

**CLACKAMAS COUNTY, OREGON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

Follow-up on findings reported June 30, 2012

Federal Award Findings and Questioned Costs

Finding 2012-1 – Subrecipient Monitoring (Material Weakness in Internal Controls and Material Instance of Non-Compliance)

Federal Program: CFDA 93.959 Department of Health and Human Services- Block Grants for Prevention and Treatment of Substance Abuse

Condition: The County will often provide federal awards to other nonfederal entities, known as subrecipients, to carry out federal programs. The County has certain responsibilities as the pass-through entity awarding federal awards to subrecipients. Responsibility for the County lies in ensuring subrecipients receive audits in accordance with the OMB Circular A-133 requirements and reviewing those audit reports in a timely manner. We noted no evidence of ongoing subrecipient monitoring activities occurring, such as obtaining A-133 audit reports, if applicable, and reviewing the reports for audit findings and corrective actions.

Recommendation: We recommend that the Community Health Department implement internal control procedures to monitor subrecipients to ensure that they are in compliance with OMB Circular A-133.

Status of Finding: Partially Resolved: This finding is substantially repeated in the current year as Finding 2013-004; please reference the Views of Responsible Officials regarding current progress.

Finding 2012-2 – Procurement and Suspension and Debarment – Material Weakness in Internal Controls and Material Instance of Non-Compliance)

Federal Program: CFDA 93.959 Department of Health and Human Services – Block Grants for Prevention and Treatment of Substance Abuse

Condition: During our testing of the program, we noted the County was treating several contracts with third parties as vendors, when in fact the contracts actually met the subrecipient criteria.

Recommendation: We recommend the County provide additional training to its staff involved in the vendor versus subrecipient determinations. In addition, we recommend the County review the Contract Checklist to ensure it focuses on the key characteristics important to the vendor versus subrecipient determination, is accurately prepared, and a review and approval process is implemented.

Status of Finding: Partially Resolved: This finding is substantially repeated in the current year as Finding 2013-005; please reference the Views of Responsible Officials regarding current progress.

**CLACKAMAS COUNTY, OREGON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

Finding 2012-3 – Davis-Bacon Act (Significant Deficiency in Internal Controls and Instances of Non-Compliance)

Federal Program: CFDA 20.205 Department of Transportation – Highway Planning and Construction and CFDA 66.458 Department of Environmental Protection Agency – Capitalization Grants for Clean Water

Condition: During our testing of the Highway Planning and Construction and Program, we noted certified time or payroll certificates were not obtained for subcontractors. In addition, during our testing of the Capitalization Grants for Clean Water Program, we identified certified time or payroll certifications were not obtained for independent contractors employing laborers or mechanics, as defined by the Davis-Bacon Act.

Recommendation: We recommend the County implement controls to 1) adequately define those subcontractors who are subject to the Davis-Bacon Act requirements and 2) obtain and review time certifications for all applicable subcontractors.

Status of Finding: Fully Resolved: In the current year there were no federal expenditures for the Highway Planning and Construction Program in the department where the issue was identified in the prior year. Additionally, the County did not have federal expenditures related to the Capitalization Grants for Clean Water Program in the current year as it was completed in the prior fiscal year. Lastly, the Highway Planning and Construction Program was audited as a major program in the current year and no issues related to Davis Bacon were identified.

Finding 2011-03 - Davis-Bacon Act – Significant Deficiency in Internal Controls

Federal Program: CFDA 66.458 Capitalization Grants for Clean Water State Revolving Funds

Condition: The County's designed control over the payment of wages at prevailing wage rates requires management review and signature on monthly invoices. Moss Adams reviewed a certified payroll for one contract, and noted the certified payroll lacked evidence of review or approval. Upon further inquiry of County personnel, it was determined documentation of such review was not occurring. The County represented to Moss Adams that review is performed, and Moss Adams found no evidence of non-compliance with prevailing wage rates based on their testing.

Recommendation: Moss Adams recommends the County implement its designed control requiring documenting the review of payroll certifications. Documented evidence of such review can be included on a certification log or on the actual certified payroll form.

Status of Finding: Fully Resolved: In November 2011, Clackamas County Service District No. 1 immediately implemented the recommended control. The construction inspector now initials and dates each certified payroll submitted, as evidence of his review. The control was confirmed to be in place during a subsequent monitoring visit by Oregon Department of Environmental Quality. Additionally, the County did not have federal expenditures related to the Capitalization Grants for Clean Water Program in the current year as it was completed in the prior fiscal year.