CLACKAMAS COUNTY, OREGON

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

Year Ended June 30, 2010

CLACKAMAS COUNTY, OREGON

TABLE OF CONTENTS

4800 SW Macadam Ave, Suite 400
Portland, Oregon 97239-3973

P 503.274.2849
F 503.274.2853

www.tkw.com

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

January 28, 2011

Board of County Commissioners as Governing Body
of Clackamas County, Oregon
Oregon City, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clackamas County, Oregon, (the County) as of and for the year ended June 30, 2010, and have issued our report thereon dated January 28, 2011. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit of the County, as described in our report on the County's financial statements. This report does not include the results of the other auditor's 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, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting, that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

Talbot, Korvola & Warwick, LLP
Certified Public Accountants & Consultants
An Independently Owned Member of the RSM McGladrey Network

INTERNAL CONTROL OVER FINANCIAL REPORTING (Continued)

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 2010-01, 2010-02, 2010-04, 2010-05, 2010-06, and 2010-07 to be material weaknesses.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2010-03 and 2010-08 to be significant deficiencies.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, 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 did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

* * * * * * * *

This report is intended solely for the information and use of the Audit Committee, Board of County Commissioners, management and others within the County, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Talbot, Korvola & Warwick LLP

Certified Public Accountants

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 2010-01, 2010-02, 2010-04, 2010-05, 2010-06, and 2010-07 to be material weaknesses.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2010-03 and 2010-08 to be significant deficiencies.

4800 SW Macadam Ave, Suite 400
Portland, Oregon 97239-3973

P 503.274.2849
F 503.274.2853

www.tkw.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

January 28, 2011

Board of County Commissioners as Governing Body
of Clackamas County, Oregon
Oregon City, Oregon

COMPLIANCE

We have audited the compliance of Clackamas County, Oregon, (the County) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the Housing Authority of Clackamas County, a blended component unit of the County, and the Workforce Investment Council of Clackamas County, Inc. (WICCO), a discretely presented component unit, which expended $16,207,093 and $4,953,991 in federal awards, respectively, which are not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2010. Our audit, described below, did not include the operations of the Housing Authority of Clackamas County nor WICCO, as separate reports were issued for these component units in accordance with OMB Circular A-133, as appropriate.

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 Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

Talbot, Korvola & Warwick, LLP
Certified Public Accountants & Consultants
An Independently Owned Member of the RSM McGladrey Network

COMPLIANCE (Continued)

As described in items 2010-09 through 2010-12 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding suspension and debarment, enforcement of medical support obligations, and Section 3 reporting that are applicable to its Capitalization Grants for Clean Water State Revolving Funds, CFDA #66.458, Child Support Enforcement, CFDA #93.563, and CDBG Entitlement Grants Cluster/Home Investment Partnership Program, CFDA #14.218, #14.253, and #14.239, respectively. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

INTERNAL CONTROL OVER COMPLIANCE

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 combination of deficiencies, in internal control over compliance, such that there is 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 2010-09 through 2010-12 to be material weaknesses.

INTERNAL CONTROL OVER COMPLIANCE (Continued)

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2010-13 and 2010-14 to be significant deficiencies.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clackamas County, Oregon, as of and for the year ended June 30, 2010, and have issued our report thereon dated January 28, 2011. Our audit was performed for the purposes of forming opinions on the basic financial statements taken as a whole. We did not audit the financial statements of the discretely presented component unit of the County. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinions on the basic financial statements, insofar as they relate to the amounts included for the discretely presented component unit is based solely on the report of the other auditors.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

* * * * * * * * *

This report is intended solely for the information and use of the Audit Committee, Board of County Commissioners, management and others within the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Talbot, Korvola & Warwick LLP

Certified Public Accountants

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2010-13 and 2010-14 to be significant deficiencies.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clackamas County, Oregon, as of and for the year ended June 30, 2010, and have issued our report thereon dated January 28, 2011. Our audit was performed for the purposes of forming opinions on the basic

CLACKAMAS COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2010

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Pass Through Number	Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE:				
Direct:				
Animal & Plant Health Inspection Service:				
Wildlife Services	10.028	Direct Federal	$ 75	$ -
Rural Development:				
Rural Business Enterprise Grant (Main Street Program)	10.769	Direct Federal	12,000	-
Forest Service:				
Cooperative Forestry Assistance	10.664	Direct Federal	78,650	-
Collaborative Forest Restoration (Dumpstoppers)	10.679	Direct Federal	97,876	-
Passed Through:				
Food & Nutrition Services:				
Oregon Department of Human Services:				
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	109323	904,897	-
Schools and Roads Cluster:				
Forest Service:				
Oregon State Dept of Administrative Services:				
School and Roads - Grants to States (Timber Receipts)	10.665	ORS 293.560	4,956,609	-
Sub-total Schools and Roads Cluster			4,956,609	-
ARRA - Wildland Fire Management (EYC-SOLV)	10.688	GRNT0358	19,005	-
ARRA - Wildland Fire Management (EYC-Forest Forever)	10.688	GRNT0359	19,216	-
ARRA - Wildland Fire Management (EYC-Sandy)	10.688	GRNT0360	18,855	-
ARRA - Wildland Fire Management (EYC-NCPRD)	10.688	GRNT0361	17,693	-
ARRA - Wildland Fire Management (EYC-Hopkins)	10.688	GRNT0457	19,482	-
			94,251	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			6,144,358	-
U.S. DEPARTMENT OF COMMERCE:				
National Oceanic and Atmospheric Administration:				
Passed Through:				
Habitat Conservation	11.463	DOC.749-22	94,000	-
TOTAL U.S. DEPARTMENT OF COMMERCE			94,000	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Direct:				
Emergency Shelter Grants Program	14.231	Direct Federal	93,269	89,934
Supportive Housing Program	14.235	Direct Federal	390,123	-
Home Investment Partnerships Program	14.239	Direct Federal	2,030,804	-
ARRA - Homelessness Prevention and Rapid Re-housing Program	14.257	Direct Federal	282,912	218,127
Passed Through:				
Oregon Housing & Community Services:				
ARRA - Neighborhood Stabilization Program - #2	14.256	NSP-2	6,646	-
Central City Concern:				
Supportive Housing Program (Chez Ami)	14.235	MH-11/-04-05	196,902	-
CDBG - Entitlement (HUD-Administered) Grants Cluster				
Direct:				
Community Development Block Grants/Entitlement Grants	14.218	Direct Federal	1,879,139	-
ARRA - Community Development Block Grant ARRA Entitlement Grants	14.253	Direct Federal	492,794	-

CLACKAMAS COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

YEAR ENDED JUNE 30, 2010

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Pass Through Number	Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Continued):				
Passed Through:				
Oregon Housing & Community Services:				
Community Development Block Grants/Entitlement (Neighborhood Stabilization #1)	14.218	1088	$ 1,551,898	$ -
Sub-total Entitlement Grants Cluster			3,923,831	-
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			6,924,487	308,061
U.S. DEPARTMENT OF INTERIOR:				
Direct:				
Bureau of Land Management:				
Non-Sale Disposals of Mineral Material	15.214	Direct Federal	40,795	-
Payments in Lieu of Taxes	15.226	Direct Federal	204,123	-
Distribution of Receipts to State and Local Governments (Oregon and California Land Grant)	15.227	Direct Federal	710,539	-
Secure Rural Schools and Community Self-Determination (Dumpstoppers)	15.234	Direct Federal	135,244	-
Passed Through:				
U.S. Fish & Wildlife:				
Oregon State Marine Board:				
Clean Vessel Act	15.616	03020002000011	731	-
U.S. National Park Service:				
Oregon State Historic Preservation Office:				
Historic Preservation Fund Grants-in-Aid	15.904	OR-09-06	2,831	-
TOTAL U.S. DEPARTMENT OF INTERIOR			1,094,263	-
U.S. DEPARTMENT OF JUSTICE:				
Direct:				
Office of Justice:				
Community Capacity Development Office	16.595	Direct Federal	119,953	-
Bureau of Justice Assistance:				
State Criminal Alien Assistance Program	16.606	Direct Federal	125,421	-
Bulletproof Vest Partnership Program	16.607	Direct Federal	6,030	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Direct Federal	49,012	-
Office of Community Oriented Policing Services:				
Public Safety Partnership and Community Policing Grants	16.710	Direct Federal	491,050	-
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.804	Direct Federal	39,548	-
Passed Through:				
Oregon State Police:				
Juvenile Accountability Block Grant	16.523	05-602	24,822	-
Oregon Criminal Justice:				
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	FG2008-02	127,750	-
Oregon State Department of Justice:				
Crime Victim Assistance	16.575	99-953	55,892	-
Crime Victim Assistance (VOCA BASIC)	16.575	99-3389	50,704	-
ARRA - Crime Victim Assistance (VOCA PROJECT)	16.575	09-VOCA-3481	34,800	-
Sub-total CFDA 16.575			141,396	-
Office of Juvenile Justice and Delinquency Prevention:				
University of Cincinnati:				
Drug Court Discretionary Grant Program	16.585	COEUS #005251	898	-
Multnomah County:				
Anti-Gang Initiative	16.744	4600006480	6,890	-

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Pass Through Number	Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF JUSTICE (Continued):				
Passed Through:				
Office of Community Oriented Policing Services:				
Oregon Criminal Justice:				
ARRA - Violence Against Women Formula Grants	16.588	09-ARRA-VAWA-3518	$ 64,207	$ -
Office of Justice:				
Oregon State, Department of Justice:				
Community Capacity Development Office	16.595	18PORP501Z	61,635	-
Bureau of Justice Assistance:				
Oregon State, Department of Justice:				
Anti-Gang Initiative	16.744	4600006544	8,010	-
TOTAL U.S. DEPARTMENT OF JUSTICE			1,266,622	-
U.S. DEPARTMENT OF LABOR, EMPLOYMENT AND TRAINING ADMINISTRATION:				
Direct:				
WIA Pilots, Demonstrations, and Research Projects	17.261	Direct Federal	97,018	-
Veteran's Employment & Training Service:				
Veterans' Employment Program	17.802	Direct Federal	502,119	-
Passed Through:				
Oregon State Senior & Disabled:				
Senior Community Service Employment Program	17.235	121772	166,887	-
ARRA - Senior Community Service Employment Program	17.235	129153	36,447	-
Sub-total CFDA 17.235			203,334	-
WIA Cluster:				
Clackamas Education Service District:				
ARRA - WIA Youth Activities	17.259	ESD0809-01	142,103	-
ARRA - WIA Youth Activities	17.259	CSCC0509/10	24,394	-
Sub-total WIA Cluster			166,497	-
TOTAL U.S. DEPARTMENT OF LABOR, EMPLOYMENT AND TRAINING ADMINISTRATION			968,968	-
U.S. DEPARTMENT OF TRANSPORTATION:				
Passed Through:				
Oregon Department of Transportation:				
National Motor Carrier Safety (MCSAP)	20.218	24778	19,991	-
Highway Planning and Construction Cluster:				
Oregon Department of Transportation:				
ARRA - Highway Planning & Construction	20.205	25507	26,526	-
Highway Planning & Construction - Barlow Zimmerman Intersection	20.205	25070	54,516	-
Highway Planning & Construction - Damage Assessment 2008 Winter Storm	20.205	OR-09-01	1,431,245	-
Highway Planning & Construction - Intelligent Trans Sys Implementation	20.205	18166	59,484	-
Highway Planning & Construction - Hazard Elimination System - Stafford Mountain intersection	20.205	22262	131,190	-
Highway Planning & Construction - Sunrise Corridor	20.205	20956	350,572	-
Highway Planning & Construction - Work Zone Enforcement	20.205	070908WKZN-421	19,641	-
Sub-total Highway Planning and Construction Cluster			2,073,174	-
Tri-Met:				
Formula Grants for Other Than Urbanized Areas	20.509	04-0384ccssd	166,007	-
Oregon Department of Transportation:				
ARRA - Formula Grants for Other Than Urbanized Areas	20.509	25619	77,606	-
Sub-total CFDA 20.509			243,613	-

CLACKAMAS COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

YEAR ENDED JUNE 30, 2010

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Pass Through Number	Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF TRANSPORTATION (Continued):				
Passed Through (Continued):				
Federal Transit Cluster:				
Tri-Met:				
Federal Transit Capital Investment Grants	20.500	GH050291TL	$ 37,065	$ -
Highway Safety Cluster:				
Oregon State, Dept of Transportation - Transportation Safety Division:				
State and Community Highway Safety - Safe Communities	20.600	SA-09-25-08	47,848	-
State and Community Highway Safety - Safe Communities	20.600	157SA-09-25-08	20,000	-
State and Community Highway Safety - Safe Communities	20.600	SA-10-25-08	15,065	-
Sub-total Highway Safety Cluster			82,913	-
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			2,456,756	-
GENERAL SERVICES ADMINISTRATION:				
Passed Through:				
Disposal of Federal Surplus Real Property	39.002	ORS 272.085	1,885	-
TOTAL GENERAL SERVICES ADMINISTRATION			1,885	-
ENVIRONMENTAL PROTECTION AGENCY:				
Direct:				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	Direct Federal	81,950	-
Passed Through:				
Oregon Economic and Community Development Department:				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	Q09001	200,000	-
Sub-total CFDA 66.818			281,950	-
Passed Through:				
Oregon Department of Human Services:				
State Public Water System Supervision	66.432	113311	44,710	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468	113311	30,274	-
Oregon Department of Environmental Quality:				
ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458	R06224	2,578,000	-
TOTAL ENVIRONMENTAL PROTECTION AGENCY			2,934,934	-
U.S. DEPARTMENT OF ENERGY:				
Direct:				
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	Direct Federal	117,783	7,135
Passed Through:				
Oregon State Department of Energy:				
ARRA - State Energy Program	81.041	SEP 10-1125	7,334	-
Oregon State Housing & Community Services Division:				
Weatherization Assistance for Low-Income Persons (DOE 10)	81.042	120610/02	28,625	-
Weatherization Assistance for Low-Income Persons (DOE 09)	81.042	120609/02	79,822	-
ARRA - Weatherization Assistance for Low-Income Persons (DOE 09)	81.042	12060A/02	818,582	-
Weatherization Assistance for Low-Income Persons (BPA 2009)	81.042	120206/00	21,889	-
Weatherization Assistance for Low-Income Persons (BPA WX 2010)	81.042	12010A/00	11,225	
Sub-total CFDA 81.042			960,143	-
AARA - Energy Efficiency Appliance Rebate Program (EEARP)	81.127	12010A-00	24,837	-
TOTAL U.S. DEPARTMENT OF ENERGY			1,110,097	7,135

CLACKAMAS COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

YEAR ENDED JUNE 30, 2010

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Pass Through Number	Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Direct:				
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	93.224	Direct Federal	$ 960,163	$ -
Drug-Free Communities Support Program Grants	93.276	Direct Federal	205,773	-
ARRA Grants to Health Center Programs	93.703	Direct Federal	347,354	-
Substance Abuse & Mental Health Services - Projects of Regional & National Significar	93.243	Direct Federal	117,428	-
HIV Prevention Activities - Health Department Based	93.940	Direct Federal	124,609	-
Passed Through:				
Oregon Department of Human Services:				
Public Health Emergency Preparedness	93.069	106213	695,073	-
Project Grants & Cooperative Agreements for Tuberculosis Control Programs	93.116	280549	3,018	-
Family Planning Services	93.217	109323	100,978	-
HIV Prevention Activities - Health Department Based	93.940	112992	122,786	-
Preventive Health & Health Services Block Grant	93.991	180519	3,500	-
Block Grants for Community Mental Health Services	93.958	112992	398,705	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	112992	320,648	-
Maternal and Child Health Services Block Grants to the States	93.994	112992	171,408	-
Immunization Cluster:				
Immunization Grants (Immunizations Special Payments)	93.268	121002	1,200	-
ARRA - Immunization	93.712	280687	28,490	-
Sub-total Immunization Cluster			29,690	-
Oregon State Office of Children and Families:				
Promoting Safe and Stable Families	93.556	CLAC911	96,970	-
ARRA - Child Support Enforcement	93.563	07-GOV-DA-03	353,893	-
Child Support Enforcement	93.563	07-GOV-DA-03	868,500	-
Sub-total CFDA 93.563			1,222,393	-
Social Services Block Grant	93.667	CLAC0911	253,244	-
Medicaid Cluster:				
Medical Assistance Program (Title XIX - OCF (medicare fees))	93.778	CLAC0911-MAC	64,819	-
Sub-total Medicaid Cluster			64,819	-
Multnomah County:				
Refugee & Entrant Assistance State Administered Programs	93.566	200907	2,630	-
Washington County:				
Pulbic Health Emergency Preparedness	93.069	CH-116-09/10	23,072	-
Oregon State Housing & Community Services Division:				
Low-Income Home Energy Assistance (Program: SSD LIEAP)	93.568	120409/10	1,672,534	-
Low-Income Home Energy Assistance (Program: Weatherization LIEAP 2009)	93.568	120410-0	107,500	-
Low-Income Home Energy Assistance (Program: Weatherization LIEAP 2010)	93.568	120409/02	214,074	-
Low-Income Home Energy Assistance (Program: Weatherization LIEAP EE 2009)	93.568	120409/01	7,266	-
Low-Income Home Energy Assistance (Program: Weatherization LIEAP EE 2010)	93.568	120410/02	22,911	-
Sub-total CFDA 93.568			2,024,285	-
Temporary Assistance for Needy Families (TANF) Cluster:				
Temporary Assistance for Needy Families	93.558	100901-00	26,387	-
Sub-total Temporary Assistance for Needy Families (TANF) Cluster			26,387	-
CSBG Cluster:				
Community Services Block Grant	93.569	130110-00	262,569	-
Department of Consumer & Business Services				
Community Services Block Grant (Senior Health Insurance Benefits Assistant)	93.569	90240-0008A	9,281	-
Sub-total CSBG Cluster			271,850	-
Oregon Health Sciences University:				
Maternal and Child Health Services Block Grants to the States	93.994	106212	44,731	-

CLACKAMAS COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

YEAR ENDED JUNE 30, 2010

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Pass Through Number	Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued):				
Passed Through (Continued):				
Oregon State Senior & Disabled Services:				
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	128568	$ 20,377	$ -
National Family Caregiver Support, Title III, Part E	93.052	128568	134,720	-
Aging Cluster:				
ARRA - Aging Congregate Nutrition Services for States	93.707	128568	64,943	-
ARRA - Aging Home-Delivered Nutrition Services for Seniors	93.705	128568	31,971	-
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services Senior Centers	93.044	128568	523,270	-
Special Programs for the Aging - Title III, Part C - Nutrition Services (Title III-Part C (C-1))	93.045	128568	409,495	-
Nutrition Services Incentive Program	93.053	121713	146,382	-
Sub-total Aging Cluster			1,176,061	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			8,962,672	-
CORPORATION FOR NATIONAL SERVICE:				
Direct:				
Retired and Senior Volunteer Program	94.002	Direct Federal	88,886	-
Foster Grandparent /Senior Companion Cluster				
Senior Companion Program	94.016	Direct Federal	119,318	-
Sub-total Foster Grandparent /Senior Companion Cluster			119,318	-
TOTAL CORPORATION FOR NATIONAL SERVICE			208,204	-
DEPARTMENT OF HOMELAND SECURITY:				
Passed Through:				
Oregon Military Department/Emergency Management:				
Hazard Migration Grant	97.039	DR-1824	336,460	-
State Homeland Security Program (Volunteer Database)	97.073	09-212	10,000	-
State Homeland Security Program (SHSP 2009)	97.073	08-208	32,296	-
Sub-total CFDA 97.073			42,296	-
Emergency Management Performance Grants	97.042	FFY08-97.042	585,051	-
Pre-Disaster Mitigation (CRW)	97.047	EMS-2005-PC-0004	537,733	537,733
Oregon State Marine Department:				
Boating Safety Financial Assistance	97.012	030200020005011	367,829	-
Portland Office of Emergency Management:				
Non-Profit Security Program	97.008	52306	146,665	-
United Way:				
Emergency Food & Shelter Program Cluster:				
Emergency Food and Shelter National Board Program	97.024	FEMA 28	33,393	-
Emergency Food and Shelter National Board Program	97.024	FEMA 27	73,688	-
Sub-total Emergency Food & Shelter Program Cluster			107,081	-
TOTAL DEPARTMENT OF HOMELAND SECURITY			2,123,115	537,733
TOTAL FEDERAL AWARDS			$ 34,290,361	$ 852,929

CLACKAMAS COUNTY, OREGON

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2010

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.

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) and Community Development Blocks Grants/Entitlement Grants (CFDA #14.218). 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.

Gross loans receivable at June 30, 2010 amount to:

	CFDA Number	Amount
HOME Investment Partnerships Program	14.239	$ 11,020,333
Community Development Block Grants/Entitlement Grants	14.218	5,101,992

CLACKAMAS COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2010

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
Type of auditor's report issued on compliance for major programs	Qualified
Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of *Circular A-133*	Yes

Identification of major programs:

CFDA NUMBER(S)	NAME OF FEDERAL PROGRAM OR CLUSTER
10.665	Schools and Roads Cluster
14.218, 14.253	Entitlement Grants Cluster (CDBG)
14.239	Home Investment Partnerships Program
20.205	Highway Planning and Construction Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS (Continued)

Federal Awards (Continued):

Identification of major programs (Continued):

CFDA NUMBER(S)	NAME OF FEDERAL PROGRAM OR CLUSTER
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance

Dollar threshold used to distinguish between type A and B programs	$ 1,512,381
Auditee qualified as low-risk auditee?	No

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2010-01:

Criteria: In accordance with OMB Circular A-133 § __.300(b)., the County is required to maintain a structure of internal control designed to provide reasonable assurance in the preparation of reliable and accurate financial statements.

Condition: The June 30, 2010 Schedule of Expenditures of Federal Awards (SEFA) as drafted by the County needed several modifications to be in accordance with OMB Circular A-133 § __.300(b).

Context: Modifications included several expenditure changes netting to a total decrease in expenditures of approximately $1 million and addition/deletion of programs as originally listed.

Effect: The June 30, 2010 SEFA as presented for the audit was materially misstated.

Cause: The County comingles program revenues and expenditures; therefore, it is hard to identify federal expenditures versus other types of intergovernmental transactions. In addition, communication between the departments that operate the programs and the Finance Department is sometimes not timely and inaccurate.

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2010-01 (Continued):

Recommendation:	We recommend that the County implement procedures so that information can be gathered in a more timely, accurate fashion and implement review procedures to ensure the accuracy of the SEFA.
Views of responsible officials:	The County understands and concurs with the finding.

Finding 2010-02:

Criteria:	Accounting principles generally accepted in the United States of America (GAAP) require, that under the modified accrual basis of accounting, revenue should be recognized when it is both earned and available.
Condition:	Several adjustments had to be posted in order for deferred revenue, accounts receivable, and revenue to be in accordance with GAAP.
Context:	Adjustments included an $8.5 million dollar adjustment to recognize capitation revenue improperly deferred by the County, a $5.9 million dollar adjustment to defer Medicaid wrap revenue improperly recognized, two adjustments to recognize improperly deferred program surpluses, and a $1 million adjustment to reconcile two federal programs to receipts and expenditures.
Effect:	Revenue and deferred revenue as recorded by the County was materially misstated.
Cause:	The County's Community Health Department does not understand when to recognize revenue in accordance with GAAP.
Recommendation:	We recommend that the County Finance Department provide training on basic revenue recognition principles of modified accrual accounting in accordance with GAAP, incorporating the concepts of GASB statement No. 33; and implement review procedures over adjustments submitted to the Finance Department by departments to ensure proper recording in accordance with GAAP.
Views of responsible officials:	The County understands and concurs with the finding.

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2010-03:

Criteria:	Accounting principles generally accepted in the United States of America (GAAP) require that an entity maintain a structure of internal control designed to provide reasonable assurance in the preparation of reliable and accurate financial statements.
Condition:	The County does not have reliable documented controls throughout the payroll process.
Context:	During our tests of controls over the payroll function, we found controls were not properly documented, or they were ineffective as follow up procedures were not properly completed.
Effect:	Lack of an internal control structure can provide the opportunity for errors and/or fraud.
Cause:	In some cases, it appears there is a lack of documentation evidencing a control procedure was completed. It is our understanding that the County has been in the process of implementing a new time-tracking system and updates to PeopleSoft for the past several years. This has caused a re-allocation of resources which appears to have resulted in a de-emphasis of controls.
Recommendation:	We recommend that the County implement documented control procedures, including an element of management review, to ensure consistency of application.
Views of responsible officials:	The County understands and concurs with the finding.

Finding 2010-04:

Criteria:	In accordance with GASB Statement No. 34, the County should be recording capital assets on the Statement of Net Assets and foreclosed property held for sale on the governmental fund Balance Sheet.
Condition:	The County has not updated their inventory of tax foreclosed property in the accounting system since 2001.

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2010-04 (Continued):

Context:	Foreclosed property held for sale in the Tax Title Land Fund had been unadjusted for several years. Per further investigation, it appears there had been no recorded activity since 2001. An inventory was compiled which included 153 properties held by the County and a methodology for valuing the property was developed using a retrospective review of value realized over the last 10 years and consideration of the land use.
Effect:	Foreclosed property held for sale was overstated, capital assets were understated and beginning fund balance, recognized through the Statement of Revenues, Expenditures and Changes in Fund Balance in the current year, was understated.
Cause:	The County did not have established procedures or controls to relay the tax foreclosed property information from the department managing the assets to the Finance Department for recording.
Recommendation:	We recommend that the County establish procedures to obtain tax foreclosed property information in a timely and accurate manner.
Views of responsible officials:	The County understands and concurs with the finding.

Finding 2010-05:

Criteria:	In accordance with GAAP, expenditures/expenses should be recognized as incurred.
Condition:	The County recognized expenditure/expense based on the disbursement of cash, although no expenditure/expense had been incurred.
Context:	The County entered into two agreements, with an aggregate value of approximately $1.25 million, with third parties during the current year in which funds were transferred as a deposit or reserve and recognized as an expenditure/expense; however, the funds are still assets of the County.
Effect:	Improper recognition resulted in an overstatement of expenditure/expense and an understatement of assets.
Cause:	Currently, journal entries are drafted by departments without accounting expertise and entered into the accounting system by the Finance Department without proper review.

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2010-05 (Continued):

Recommendation:	We recommend that the County Finance Department implement review procedures to substantiate proper recording of transactions in accordance with GAAP.
Views of responsible officials:	The County understands and concurs with the finding.

Finding 2010-06:

A similar finding was noted in the June 30, 2009, Audit of Federal Awards as finding 09-05. As it was not corrected in FY10, based on the follow-up procedures performed, it is repeated and reported in the current year.

Criteria:	In accordance with GAAP, contracts receivable and related revenues should be recognized in the period in which revenue is earned.
Condition:	The County did not record certain contracts/loans receivable earned/entered into in prior years until fiscal year 2010.
Context:	It was determined during the audit of contracts receivable that contracts entered into during prior years were not recorded in the accounting system.
Effect:	Prior year revenue and therefore beginning fund balance/net assets was understated. In one instance, a loan receivable had been recognized in the prior year when the cash disbursement occurred, overstating expenditures/expenses in the prior year.
Cause:	The County did not have procedures in place to record contracts receivable in a timely and accurate manner.
Recommendation:	We recommend that the County implement procedures to record contracts receivable and related revenues as they are earned.
Views of responsible officials:	The County understands and concurs with the finding.

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2010-07:

A similar finding was noted in the June 30, 2009, Audit of Federal Awards as finding 09-06. As it was not corrected in FY10, based on the follow-up procedures performed, it is repeated and reported in the current year.

Criteria:	In accordance with GAAP, expenditures/expenses should be recorded in the period in which they are incurred.
Condition:	The Community Health Department noted that they had accrued accounts payable and expenditure/expense in the prior year that was never realized. The liability and expenditure/expense was written off in the current year.
Context:	During the testing of major transactions, we identified two entries; one which reduced current year expenditures/expenses and the second which reclassified the write-off to revenue.
Effect:	Both entries ultimately correct net assets/fund balance; however, the write-off was approximately $1.5 million which is considered material and therefore these entries materially misstate the current year Statement of Activities/Statement of Changes in Fund Balance. A prior period adjustment to correct beginning fund balance and the current year Statement of Activities/Statement of Changes in Fund Balance was recorded.
Cause:	The County did not have control procedures in place to ensure proper recognition of expenditure/expense due to accruals for outstanding contracts.
Recommendation:	We recommend that the County implement review procedures over the accrual of accounts payable, write off of accounts payable, and amounts recorded in deferred revenue as of year end.
Views of responsible officials:	The County understands and concurs with the finding.

Finding 2010-08:

Criteria:	In accordance with GAAP, accounts receivable should be recorded net of an allowance for doubtful accounts approximating what will be realized.

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2010-08 (Continued):

Condition:	The County's Psychiatric Services accounts receivable were inaccurately recorded.
Context:	We tested a monetary unit sample and the results required an adjustment be made to bring the net accounts receivable balance within a range that was reasonably acceptable.
Effect:	Noted errors in which amounts realized were significantly higher or lower than what had been accrued by the County.
Cause:	The County's estimates were inaccurate, either because they were not properly identified as Medicaid eligible or the collection rate applied varied from actual collections.
Recommendation:	We recommend that the County re-evaluate its year end accrual process to mitigate inaccuracies.
Views of responsible officials:	The County understands and concurs with the finding.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2010-09:

Federal Program:	CFDA 66.458: Capitalization Grants for Clean Water State Revolving Funds
Federal Agency:	Environmental Protection Agency
Pass Through Entity:	State of Oregon Department of Environmental Quality
Award Year:	2009-10
Criteria:	In accordance with OMB Circular A-102, the County is required to ensure that contractors are not on the excluded parties list maintained by the General Services Administration.
Condition:	The County did not include the suspension and debarment certification provision in all contracts exceeding $25,000.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding 2010-09 (Continued):

Questioned Costs:	None of the contractors selected for testing were on the excluded parties list; therefore, none of the associated contract costs are considered questioned.
Context:	The County entered into two contracts in which this compliance requirement applied. Both were tested, and one did not contain the provision that the contractor certify that it was not suspended and/or debarred.
Effect:	The County could enter into a contract with a debarred or suspended vendor.
Cause:	The County department maintaining this program was only including the suspension and debarment provision in some types of contracts.
Recommendation:	We recommend that the County consistently include a certification of suspension and debarment in all contracts and verify the vendor is not suspended and/or debarred on epls.gov.
Views of responsible officials:	The County understands and concurs with the finding.

Finding 2010-10:

Federal Program:	CFDA: 93.563 Child Support Enforcement
Federal Agency:	U.S. Department of Health and Human Services
Pass Through Entity:	Oregon State Office of Children and Families
Award Year:	2009-10
Criteria:	In accordance with 45 CFR §303.31, the County is required to secure and enforce medical support obligations for children covered by this agency. In addition, in accordance with OMB Circular A-133, the County is required to maintain a structure of internal control to ensure compliance with Child Support Enforcement requirements.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding 2010-10 (Continued):

Condition:	The County did not comply with the requirement to secure and enforce medical support obligations. In addition, the County does not have reliable controls in place to ensure compliance with this requirement.
Questioned Costs:	None noted.
Context:	Out of 60 cases tested, medical support obligations had not been secured or enforced in nine cases.
Effect:	The County is not securing and enforcing medical support obligations, which could result in children receiving no medical coverage.
Cause:	The County does not have an effective control over this requirement and thus could not prevent or detect the cases of non-compliance.
Recommendation:	We recommend the County implement a control that would effectively prevent or detect non-compliance with the requirement to secure and enforce medical support obligations.
Views of responsible officials:	The County understands and concurs with the finding.

Finding 2010-11:

Federal Program:	CFDA 14.218,14.253: Entitlement Grants Cluster
Federal Agency:	U.S. Department of Housing and Urban Development
Pass Through Entity:	Oregon Housing & Community Services for NSP-1 HERA Program
Award Year:	2009-10

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding 2010-11 (Continued):

Criteria:	In accordance with CFR 24 Part 135, the County is required to follow Section 3 Summary Reporting requirements. Section 3 Summary Reports (Form HUD-60002) are required to be submitted for all covered projects and activities that were administered during the reporting period. Section 3 Summary Reports (Form HUD-60002) are due at the same time as annual performance reports (e.g. Consolidated Annual Performance & Evaluation Report (CAPER)). In addition, in accordance with OMB Circular A-133, the County is required to maintain a structure of internal control to ensure compliance with HUD reporting requirements.
Condition:	The County did not comply with the Section 3 Summary Reporting requirement. In addition, the County does not have reliable controls in place to ensure compliance with this requirement.
Questioned Costs:	None noted.
Context:	No Section 3 reports were submitted to HUD with the submission of FY 09-10 CAPER.
Effect:	The County is not submitting the required HUD Section 3 reports (Form HUD-60002) for all covered projects administered during the year and reports submitted are not submitted in accordance with the timeframe specified by criteria referenced above.
Cause:	The County does not have adequate knowledge of the requirement or an effective control over this requirement and thus could not prevent or detect the cases of non-compliance.
Recommendation:	We recommend the County receive training in Section 3 reporting requirements and implement a control that would effectively prevent or detect non-compliance.
Views of responsible officials:	The County understands and concurs with the finding.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding 2010-12:

Federal Program:	CFDA14.239: HOME Investment Partnership Program
Federal Agency:	U.S. Department of Housing and Urban Development
Award Year:	2009-10
Criteria:	In accordance with CFR 24 Part 135, the County is required to follow Section 3 Summary Reporting Requirements. Section 3 Summary Reports (Form HUD-60002) are required to be submitted for all covered projects and activities that were administered during the reporting period. Section 3 Summary Reports (Form HUD-60002) are due at the same time as annual performance (e.g. Consolidated Annual Performance & Evaluation Report (CAPER)). In addition, in accordance with OMB Circular A-133, the County is required to maintain a structure of internal control to ensure compliance with HUD Reporting requirements.
Condition:	The County did not comply with the Section 3 Summary Reporting requirement. In addition, the County does not have reliable controls in place to ensure compliance with this requirement.
Questioned Costs:	None noted.
Context:	No Section 3 reports were submitted to HUD with the submission of FY 09-10 CAPER.
Effect:	The County is not submitting the required HUD Section 3 reports (Form HUD-60002) for all covered projects administered during the year and reports submitted are not submitted in accordance with the timeframe specified by criteria referenced above.
Cause:	The County does not have an adequate knowledge of the requirement or an effective control over this requirement and thus could not prevent or detect the cases of non-compliance.
Recommendation:	We recommend the County receive training in Section 3 reporting requirements and implement a control that would effectively prevent or detect non-compliance.
Views of responsible officials:	The County understands and concurs with the finding.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding 2010-13:

This finding was noted in the June 30, 2009, Audit of Federal Awards as finding 09-17. As it was not corrected in FY10, based on the follow-up procedures performed, it is repeated and reported in the current year.

Federal Program:	CFDA 15.227: Distribution of Receipts to State and Local Governments
Federal Agency:	U.S. Department of the Interior
Award Year:	2008-09
Criteria:	In accordance with OMB Circular A-102, the County is required to ensure that contractors are not on the excluded parties list maintained by the General Services Administration.
Condition:	The County did not consistently check the excluded parties list before entering into contracts exceeding $25,000 as required.
Questioned Costs:	No questioned costs identified, as no contractors tested were included on the excluded parties list.
Context:	It was noted during walkthroughs of internal controls that the internal control procedure over this criteria was not consistently applied to all covered transactions.
Effect:	The County could have entered into a contract with a debarred or suspended vendor.
Cause:	New form documenting control procedure was not consistently used.
Recommendation:	We recommend that the County consistently apply a documented procedure that ensures that new contractors are not included on the excluded parties list per www.epls.gov.
Views of responsible officials:	The County understands and concurs with the finding.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding 2010-14:

This finding was noted in the June 30, 2009, Audit of Federal Awards as finding 09-18. As it was not corrected in FY10, based on the follow-up procedures performed, it is repeated and reported in the current year.

Federal Program:	CFDA 93.044, 93.045, 93.053: Aging Cluster
Federal Agency:	U.S. Department of Health and Human Services
Award Year:	2008-09
Criteria:	In accordance with OMB Circular A-102, the County is required to ensure that contractors are not on the excluded parties list maintained by the General Services Administration.
Condition:	The County did not consistently check the excluded parties list before entering into contracts exceeding $25,000 as required.
Questioned Costs:	No questioned costs identified, as no contractors tested were included on the excluded parties list.
Context:	It was noted during walkthroughs of internal controls that the internal control procedure over this criteria was not consistently applied to all covered transactions.
Effect:	The County could have entered into a contract with a debarred or suspended vendor.
Cause:	The new form documenting control procedure was not consistently used.
Recommendation:	We recommend that the County consistently apply a documented procedure that ensures that new contractors are not included on the excluded parties list per www.epls.gov.
Views of responsible officials:	The County understands and concurs with the finding.

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS

Finding 09-01:

Audit Finding:	The June 30, 2009 Comprehensive Annual Financial Report (CAFR) as drafted by the County needed several modifications to be in accordance with GAAP.
Corrective Action:	The County has hired two new management employees with the necessary financial backgrounds and qualifications to oversee the CAFR preparation and review for compliance with GAAP.

Finding 09-02:

Audit Finding:	The County recorded two quarters of fiscal year 2008 Medicaid wrap activity in fiscal year 2009 and determined what portion of Medicaid wrap revenue should be deferred.
Corrective Action:	The Finance Department will provide additional assistance to the Department recording Medicaid wrap revenues and document the methodology to properly recognize revenue and record deferred revenue in accordance with GAAP.
Additional Comment:	This corrective action as a prospective change was not made in the current year to prevent improper recognition of revenue; this finding is repeated at 2010-02.

Finding 09-03:

Audit Finding:	The County recorded a liability and corresponding asset for Transportation System Development Charges (TSDC) Credit Vouchers issued during prior periods in the current year. Per further investigation, there was no evidence that an actual asset existed.
Corrective Action:	The County's departments have made a collaborative effort to improve their communications with the finance department regarding financial transactions.

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS (Continued)

Finding 09-04:

Audit Finding:	The County had general ledger accrued payroll accounts reporting material debit balances as of year end.
Corrective Action:	The County has implemented the reconciliation of accrued payroll liability accounts as part of the year end closing process.

Finding 09-05:

Audit Finding:	The County did not record the contracts receivable for System Development Charges (SDC) earned in fiscal year 2008 until fiscal year 2009.
Corrective Action:	The County has implemented procedures to record contract receivables in a timely manner.
Addition Comment:	Per inquiry specific, new procedures could not be identified. During testing, we identified 2 contracts/loans that had not been recorded in the County's financial accounting system; this finding is repeated at 2010-06.

Finding 09-06:

Audit Finding:	The Community Health Department noted that they had accrued accounts payable and expenditure/expense in prior years that never became realizable; however, to remove the accounts payable they recorded a reclassifying entry to deferred revenue rather than to beginning net assets/fund balance.
Corrective Action:	The County has communicated the importance of timely reporting to the Department. The County will continue to work with the Department to assist them in shortening their closing process to allow for an adequate review period of the year end accruals.
Additional Comment:	This corrective action as stated is a work in progress. We observed this Department was the last to get their amounts into the Finance Department for recording and sufficient review was not completed to prevent several client proposed entries and audit adjustments, including a write-off of accounts payable similar to prior year; this finding is repeated at 2010-07.

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS (Continued)

Finding 09-07:

This finding was noted in the June 30, 2008, Audit of Federal Awards as finding 08-05. As it was not corrected in FY09 and resulted in a material misstatement, it was repeated and reported in FY09.

Audit Finding:	The County did not identify funds maintained in the agency fund that did not meet the definition of agency funds, in that they were being held for purposes of the County rather than an external entity.
Corrective Action:	The Treasury Department performed a review of the existing trust accounts, held in the Agency Fund, to identify County funds versus funds held for external parties. Accounts identified as not requiring a separate trust account were closed into the appropriate County funds. Certain accounts are still maintained in separate trust accounts for internal reporting purposes, but through a joint effort by Treasury and Finance, were reclassified to the appropriate funds at year end for financial reporting. In addition, the Treasury Department is now identifying accounts as County or Agency upon opening of all new accounts, and will continue to initiate the year end reclassification necessary for financial reporting.

Finding 09-08:

Audit Finding:	The County and its outside contractor had difficulty preparing capital assets schedules; multiple drafts were provided, all of which were inaccurate, with insufficient time to be audited before the standard reporting deadline. Many of the schedules were prepared by an outside contractor of the County, and the County experienced difficulty in obtaining and providing supporting documentation for the schedules.
Corrective Action:	The County implemented quarterly reconciliations that were temporarily halted due to staffing vacancies. The County has hired a qualified contractor to assist with capital assets this fiscal year, in addition to filling the management position overseeing capital assets records. The County will review the draft capital asset schedule prior to submission to the auditors and will resume quarterly reconciliations as soon as possible.

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS (Continued)

Finding 09-09:

This finding was noted in the June 30, 2008, Audit of Federal Awards as finding 08-06. As it was not corrected in FY09 and resulted in a material misstatement, it was repeated and reported in FY09.

Audit Finding:	The County failed to recognize $695,458 of in-kind donations in the form of vaccines, provided by the State of Oregon, as revenue and expenses for financial statement purposes.
Corrective Action Plan:	The grant accounting staff has received additional training in recording in-kind match for financial reporting purposes.

Finding 09-10:

Audit Finding:	A Vaccine Administration Record (VAR) did not contain a record of the date of administration of the vaccine.
Corrective Action:	Subsequent to the FY09 audit, the County re-evaluated this program and it was determined that the County acts as a vendor rather than a subrecipient; therefore, the provisions of the OMB Circular A-133 no longer apply.

Finding 09-11:

Audit Finding:	The County did not evidence the proper recording of receipt, transfer, and usage of the vaccine.
Corrective Action:	Subsequent to the FY09 audit, the County re-evaluated this program and it was determined that the County acts as a vendor rather than a subrecipient; therefore, the provisions of the OMB Circular A-133 no longer apply.

Finding 09-12:

Audit Finding:	There was incomplete or inconsistent documentation of vaccine eligibility codes on the Vaccine Administration Records (VARs) inspected.
Corrective Action:	Subsequent to the FY09 audit, the County re-evaluated this program and it was determined that the County acts as a vendor rather than a subrecipient; therefore, the provisions of the OMB Circular A-133 no longer apply.

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS (Continued)

Finding 09-13:

Audit Finding: The County does not retain supporting documentation for their income determinations.

Corrective Action: The County continues to use the signed Financial Form as supporting documentation and believes that this is sufficient for the requirements of the grant.

Finding 09-14:

Audit Finding: The County did not submit the Financial Status Report to the Health Resources and Services Administration within 90 days after the period of availability ended, nor could they substantiate in accordance with GAAP the amount reported as revenue on the SF-269.

Corrective Action: The Department has implemented procedures to monitor reporting due dates in order to submit the required Financial Status Reports on time or request an extension and uses the amount of revenue as posted in the County financial system in accordance with GAAP.

Finding 09-15:

Audit Finding: The County's field personnel approving application files do not consistently document their approval of eligibility through signature on the applications.

Corrective Action: The County has emphasized the requirement to document the control procedures for the eligibility requirements.

Finding 09-16:

Audit Finding: The County did not consistently check the excluded parties list before entering into contracts exceeding $25,000 expended from the Schools and Roads Cluster.

Corrective Action: The County has implemented the necessary procedures to ensure that new contractors are not on the excluded parties list. The County is continuing to work with Departments on improving their documentation of the procedures performed.

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS (Continued)

Finding 09-17:

Audit Finding: The County did not consistently check the excluded parties list before entering into contracts exceeding $25,000 expended from CFDA # 15.227.

Corrective Action: The County has implemented the necessary procedures to ensure that new contractors are not on the excluded parties list. The County is continuing to work with Departments on improving their documentation of the procedures performed.

Additional Comment: Per follow up procedures performed over contracts entered into under this CFDA during the current year, it was noted that suspension and debarment was not consistently checked prior to entering into contracts; this finding is repeated at 2010-13.

Finding 09-18:

Audit Finding: The County did not consistently check the excluded parties list before entering into contracts exceeding $25,000 expended from the Aging Cluster.

Corrective Action: The County has implemented the necessary procedures to ensure that new contractors are not on the excluded parties list. The County is continuing to work with Departments on improving their documentation of the procedures performed.

Additional Comment: Per follow up procedures performed over contracts entered into under this CFDA during the current year, it was noted that suspension and debarment was not consistently checked prior to entering into contracts; this finding is repeated at 2010-14.

Finding 08-01:

Audit Finding: The County improperly recognized loan proceeds as revenue and accounts receivable in FY08 prior to incurring the debt through formal contract.

Corrective Action: The County has implemented a review of the supporting documentation prior to recording loan or financing transactions.

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS (Continued)

Finding 08-02:

Audit Finding: The County did not determine and properly write-off uncollectible accounts receivable at year end.

Corrective Action: The State was behind on settling the contract (grant) revenues for two separate bienniums (a total of four years). The State is now current and so are a majority of the County's outstanding accounts receivable and accounts payable.

Finding 08-03:

Audit Finding: The County improperly recognized the GASB 45, Other Post Employment Benefits (OPEB) accrual on the government fund financial statements even though the County did not intend to satisfy the liability with current financial resources.

Corrective Action: The County has hired two new management employees with the necessary financial backgrounds and qualifications to oversee the CAFR preparation and review for compliance with GAAP.

Finding 08-04:

Audit Finding: The County did not identify all capital assets, resulting in a material amount of capital assets being omitted from the draft of the Comprehensive Annual Financial Report (CAFR) and supporting audit schedules.

Corrective Action: The County implemented quarterly reconciliations that were temporarily halted due to staffing issues. The County has hired a more qualified contractor to assist with the capital assets this fiscal year in addition to filling the management position overseeing capital assets. The County will review the draft capital asset schedule prior to submission to the auditors and will resume quarterly reconciliations as soon as possible.

Finding 08-05:

Audit Finding: The County did not identify funds maintained in the agency fund that did not meet the definition of agency funds, in that they were being held for purposes of the County rather than an external entity.

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS (Continued)

Finding 08-05 (Continued):

Corrective Action:	The Treasury Department performed a review of the existing trust accounts, held in the Agency Fund, to identify County funds versus funds held for external parties. Accounts identified as not requiring a separate trust account were closed into the appropriate County funds. Certain accounts are still maintained in separate trust accounts for internal reporting purposes, but through a joint effort by Treasury and Finance, were reclassified to the appropriate funds at year end for financial reporting. In addition, the Treasury department is now identifying accounts as County or Agency upon opening of all new accounts, and will continue to initiate the year end reclassification necessary for financial reporting.
Additional Comment:	During fiscal year 2009, a miscommunication resulted in only the Sheriff's department requesting the return of their monies held in trust. As a review of other various agency accounts did not occur, this finding was repeated at 09-07.

Finding 08-06:

Audit Finding:	The County failed to recognize $1,097,627 of in-kind donations in the form of vaccines, provided by the State of Oregon, as revenue and expenses for financial statement purposes.
Corrective Action:	The grant accounting staff has received additional training in recording in-kind match for financial reporting purposes.
Additional Comment:	As in-kind donations in the form of vaccines were not recorded as revenue and expense for financial statement purposes in FY2009, the finding was repeated at 09-09.

Finding 08-07:

Audit Finding:	The County did not maintain adequate documentation to evidence that oversight was maintained over vaccines.

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS (Continued)

Finding 08-07 (Continued):

Corrective Action:	The County has existing policies and procedures to ensure proper recording of the receipt, transfer to clinics and usage of vaccines provided by the State of Oregon. Community Health Department managers will review current practices to ensure that these policies and procedures are being followed correctly. If necessary, the department will conduct additional training to ensure that all staff and contractors are aware of the existing policies and procedures on retaining supporting documentation to evidence that proper oversight was maintained over vaccines.
Additional Comment:	During fiscal year 2009, as the County could not evidence the proper recording of the receipt, transfer, and usage of vaccines, this finding was repeated at 09-12.

Finding 08-08:

Audit Finding:	The County does not have review procedures in place to ensure subsidy layering evaluations get reviewed.
Corrective Action:	The County has developed a form which is in use in FY09 that documents the review and analysis of the subsidy layering compliance requirement. Also during FY09, the County implemented a second review, by a different individual, of the subsidy layering evaluations.

SUPPLEMENTAL INFORMATION

4800 SW Macadam Ave, Suite 400
Portland, Oregon 97239-3973

P 503.274.2849
F 503.274.2853

www.tkw.com

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTAL INFORMATION

January 28, 2011

Board of County Commissioners as Governing Body
of Clackamas County, Oregon
Oregon City, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clackamas County, Oregon, (the County) as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of the discretely presented component unit of the County. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinions on the basic financial statements, insofar as they relate to the amounts included for the discretely presented component unit, are based solely on the report of the other auditors.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of Clackamas County, Oregon, as of and for the year ended June 30, 2010 taken as a whole. The accompanying Schedule of Expenditures of State Awards is presented for additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

Talbot, Korvola & Warwick LLP

Certified Public Accountants

Talbot, Korvola & Warwick, LLP
Certified Public Accountants & Consultants
An Independently Owned Member of the RSM McGladrey Network

<u>CLACKAMAS COUNTY, OREGON</u>

<u>SCHEDULE OF EXPENDITURES OF STATE AWARDS (UNAUDITED)</u>

<u>YEAR ENDED JUNE 30, 2010</u>

State Grantor/ Pass-Through Grantor / Program		Expenditures
State Corrections Division:		
State Operating Grant	$	6,564,840
Oregon DHS - Office of Medical Assistance Programs:		
Oregon Health Plan - C.H. Fund 241		12,026,120
Medicaid (juvenile)		299,039
Oregon Department of Human Services:		
A & D 66 Outpatient Chemical Dependancy		50,149
A & D OHP		136,718
Babies First SHD PE42		37,102
Family Planning		102,339
Family Support		87,765
Food Stamps		153,105
Immunizations		83,600
Immunizations - Vaccines in-kind		492,559
JOBS/Prinicpal Services #129315		1,016,634
Maternal & Child Health - Title V Flexible funds		19,752
Medicaid		11,507,728
MHS20 Adult Services		1,976,122
OHP Admininstrative		888,830
OHP Paid Insurance Fees		975,399
Oregon Mother's Care SPHPE42		13,958
Public Health SPHPE01		427,343
School Based Health Clinic SPHPE44		82,000
SMHD (State Funds) 09-10		3,640,173
State Per Capita Aid /Support For Public Health		88,525
Temporary Assistance for Needy Families		570,190
Tobacco Grant SHD PE13		143,242
Tuberculosis Targeted Case Management		118,269
Water Grant		47,899
Oregon DHS - Senior and Disabled Services:		
Oregon Project Independent (OPI)		118,247
Non/Medicare - Medicaid Rides		39,878
Oregon State Commission on Children & Families:		
Court Appointed Spec Advoc (CASA)		92,906
Healthy Start-OCF		535,571
Healthy Start Site Visits-OCF		3,368
Medicare Fees		64,819
Great Start Grant		95,581
SSD Lifespan Respite		35,011
Children Youth & Families-Flex		102,520
Oregon Youth Authority:		
Juvenile Crime Prevention		519,673
Juvenile Crime Plan		435,840
Diversion - Training School Reduction		413,624
Flex Services to Kids		7,736
Housing & Community Services Division:		
Energy Conservation Helping Oregonians		2,087,273
Energy Conservation Helping Oregonians EE		13,239
Renters Deposit Account (LIHRF)		8,395
Emergency Housing Account		155,822
Emergency Housing Account Discretionary		13,776
State Homeless Assistance Program		69,325
Oregon Energy Assistance (OEA)		1,882,081
Oregon Energy Assistance (OEA)PGE CM		85,975

CLACKAMAS COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF STATE AWARDS (UNAUDITED) (Continued)

YEAR ENDED JUNE 30, 2010

State Grantor/ Pass-Through Grantor / Program		Expenditures
Oregon Deparment of Transportation:		
Surface Transportation Program	$	532,366
SB994 Funds		1,128,813
Clackamas River Bridge		538,384
Johnson Creek Bridge		203,439
Sandy River (Ten Eyck Rd) Bridge		51,436
Tualatin River (Stafford Rd) Bridge		2,471,402
Tualatin River (Borland Rd) Bridge		3,803,112
Molalla River Bridge (N.Fork Dickie Prairie)		215,284
Mountain Express		92,840
Ride Connection:		
Consortium Ride Connection		146,309
Special Transportation Fund		106,757
Mountain Express-Special Transportation Fund		74,990
TRP-Special Transportation Fund		108,379
Tri-Met:		
Tri-Met Match		34,780
Oregon Department of Veteran Affairs:		
Veterans Enhancement		125,112
Veterans HB5077		10,440
Oregon State Economic & Commmunity Development Department:		
Skinner Road		125,000
Oregon Department of Consumer & Business Services:		
Office of Energy:		
State Home Oil Weatherization Program (SHOW)		33,121
Oregon State Marine Board:		
Clean Vessel Act		21,044
Other Awards		23,184,505
TOTAL STATE AWARDS	$	81,337,573