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Director

DEPARTMENT OF FINANCE

PUBLIC SERVICES BUILDING
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February 22, 2010

**Response to Financial Statement Findings Presented In the Audit of Federal Awards
For the Year Ended June 30, 2010**

Finding 2010-01:

Response:

The County Finance Department is currently working on a plan in conjunction with the Community Health Division to improve future reporting of grant expenditures. Better tracking of federal expenditures throughout the fiscal year will allow the Finance Department to prepare the SEFA in a more timely and accurate manner.

Finding 2010-02:

Response:

In fiscal year 2011, the County Finance Department has implemented review procedures over the revenue recognition in Community Health Department. Several meetings to date have occurred to discuss the impact of the audit finding and implementation of proper revenue recognition. Adjustments are being made during fiscal year 2011 to correct the revenue recognition process.

Finding 2010-03:

Response:

The County Finance Department Payroll unit has proper controls in place over payroll; however, procedures such as reconciliations or reviews were performed but not documented. The Payroll unit will improve documentation of these procedures for fiscal year 2011. In addition, new timekeeping software is being implemented, which will provide automated controls and electronic documentation of approvals.

Finding 2010-04:

Response: During the audit, both the audit team and County Finance Department management concurrently discovered that these balances had been stagnant for several years. Further investigation revealed that although the County has procedures in place for reporting Assets Held for Sale but a communication break-down resulted in the balances not being updated. The procedures have been restored and balances will be updated for fiscal year 2011.

Finding 2010-05:

Response: In fiscal year 2011, the County Finance Department has informed the appropriate Department personnel that contracts requiring the transfer of funds as a reserve or deposit should be carefully reviewed to ensure that these amounts are properly reported.

Finding 2010-06:

Response: The County Finance Department noted the existence of the contracts receivable in preparation of the fiscal year 2010 audit workpapers. Due to an oversight in the year end preparation, the necessary adjustments were not recorded in the County's accounting system. The auditors noted the error during fieldwork and investigated further. In fiscal year 2011, the Finance Department will record the necessary adjustments to contracts receivable and revenue at year end.

Finding 2010-07:

Response: The County is aware that the finding would be repeated as corrective action was not implemented until the last quarter of fiscal year 2010, due to the late issuance of the prior year audit results. The Community Health Department will take steps to improve the accuracy of accounts payable accrued at year end. In fiscal year 2011, the Finance Department is carefully reviewing entries prepared by Community Health related to accounts payable and deferred revenues.

Finding 2010-08:

Response: The Community Health Division is aware of the finding and will take steps to improve estimating the net collectible amounts of accounts receivable. Amounts tested on the accounts receivable listing included amounts subsequently re-billed to Medicaid at a higher collection rate than originally projected, amounts that were in dispute with the State of Oregon but expected to be collected, and amounts that were not collected by the date that the auditors performed testing.

**Response to Federal Award Findings Presented In the Audit of Federal Awards
For the Year Ended June 30, 2010**

Finding 2010-09:

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

Response: In fiscal year 2011, Water Environment Services (WES), a Department of the County that operates three County component units, updated their contract template to include the necessary suspension and debarment clause. The County has requested that WES also retain proof of the verification of the vendor on www.epis.gov in their files. In addition, WES has decided to hold an in-house staff training including these topics.

Finding 2010-10:

Federal Program: CFDA 93.563 Child Support Enforcement

Response: Of the cases noted, the District Attorney Department had secured proof of medical coverage from the obligor but the obligee had failed to provide the required proof of coverage. In fiscal year 2011, the Department implemented comprehensive procedures to detect cases of noncompliance and enforce the medical coverage requirements. These procedures include written notification to obligees that coverage is required, notice to employers, and potential enforcement by the State.

Finding 2010-11:

Federal Program: CFDA 14.218, 14.253 Entitlement Grants Cluster

Response: The Community Development Division has been informally notified by HUD that the Section 3 reporting is not required. The County has operated to date without receiving any requests or notification of failure to comply from HUD for Section 3 reporting. The Department is in the process of requesting formal documentation from HUD that Section 3 reporting is not required.

Finding 2010-12:

Federal Program: CFDA 14.239 HOME Investment Partnership Program

Response: The Community Development Division has been informally notified by HUD that the Section 3 reporting is not required. The County has operated to date without receiving any requests or notification of failure to comply from HUD for Section 3 reporting. The Department is in the process of requesting formal documentation from HUD that Section 3 reporting is not required.

Finding 2010-13:

Federal Program: CFDA 15.227 Distribution of Receipts to State and Local Governments

Response: The County Finance Department Purchasing unit was aware of the prior year finding and updated their internal form to include documentation of checking vendors on www.epls.gov. The internal form was updated in February, prior to issuance of audit findings on March 31, 2010; however, this was seven months into fiscal year 2010 and, therefore, the finding was repeated.

Finding 2010-14:

Federal Program: CFDA 93.044, 93.045, 93.053 Aging Cluster

Response: The Social Services Division has decided to implement a contract database as a way to better manage their contracts and also electronically document verification of the vendor on www.epls.gov. The database is expected to be operational beginning July 1, 2011.