



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

Federal Grant Programs



Year ended
June 30, 2012

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WASHINGTON COUNTY, OREGON

155 North First Avenue
Hillsboro, Oregon 97124-3072

FEDERAL GRANT PROGRAMS

For the fiscal year ended June 30, 2012

Prepared by:

Washington County Finance Division

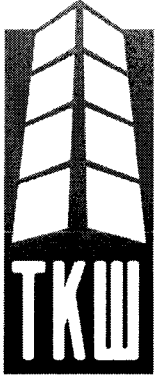
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**WASHINGTON COUNTY, OREGON
FEDERAL GRANT PROGRAMS**

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**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**

December 18, 2012

Board of Commissioners
Washington County
Hillsboro, 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 Washington County, Oregon (the County) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 18, 2012. We did not audit the financial statements of Clean Water Services (the District), a discretely presented component unit of the County. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the District is based solely on the report of the 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the County is responsible for establishing and maintaining effective 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.

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 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.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

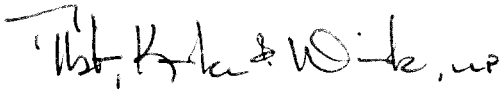
**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Continued)**

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 disclosed no 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 Commissioners, management, 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.



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

December 18, 2012

Board of Commissioners
Washington County
Hillsboro, Oregon

COMPLIANCE

We have audited Washington County, Oregon'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, 2012. 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.

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. Our audit does not provide a legal determination of the County's compliance with those requirements.

As described in items 12-04 and 12-05 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding cash management and subrecipient monitoring that are applicable to its Urban Areas Security Initiative program (CFDA 97.008)

Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

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

COMPLIANCE

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, 2012.

The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 12-01 and 12-03.

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 to determine the 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 12-04 and 12-05 to be material weaknesses.

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

INTERNAL CONTROL OVER COMPLIANCE (Continued)

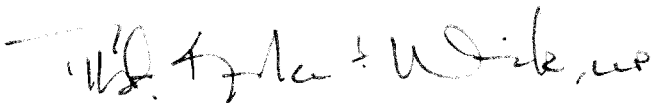
A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important 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 12-01 through 12-03 to be significant deficiencies

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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, 2012, and have issued our report thereon dated December 18, 2012, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's 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 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 statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

* * * * *

This report is intended solely for the information and use of the Audit Committee, Board of Commissioners, management, 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.



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WASHINGTON COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2012

Federal Grantor/Cluster Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Number	Expenditures Year Ended June 30, 2012	Amount Provided to Subrecipients
U. S. DEPARTMENT OF AGRICULTURE:				
Passed through Oregon Department of Education:				
School Breakfast Program	10.553	3408004	6,040	-
National School Lunch Program	10.555	3408004	10,738	-
<i>Total Child Nutrition Cluster</i>			16,778	-
Passed through Oregon Health Authority				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	135581	2,157,904	-
Breast Feeding Performance Bonus Program for Women, Infants, and Children	10.558	135581	15,000	-
Passed through Pacific Northwest Research Station				
Building Regional Capacity to Implement Multi-Credit Eco-System Services Markets	10.652	10-CA-11261976-016	284,447	-
Passed through Mid-Willamette Valley Council of Governments				
Water Quality Trading Guidelines: Development Determination & Measurement	10.902	NRCS 68-7482-10-535	1,911	-
Integrating SWCD Farm Planning and Credit Calculation	10.912	NRCS 69-0436-9-098	37,471	-
Establishing an Ecosystem Credit Market	10.912	NRCS 2011-0902-003	4,342	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			2,517,853	-
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Community Development Block Grant/Entitlement Grants 10				
Community Development Block Grant/Entitlement Grants 11	14.218	DIRECT	2,075,955	1,627,398
ARRA Entitlement Grants - Recovery Act Funded (CDBG-R)	14.218	DIRECT	850,222	552,647
<i>Total CDBG/Entitlement Grants Cluster</i>	14.253	DIRECT	46,922	40,902
			2,973,099	2,220,947
Emergency Shelter Grants Program 11				
Supportive Housing Program	14.231	DIRECT	88,190	88,190
Shelter Plus Care	14.235	DIRECT	709,386	709,386
Home Investment Partnerships Program 09	14.238	DIRECT	1,431,894	-
Home Investment Partnerships Program 10	14.239	DIRECT	446,070	446,070
ARRA - Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded)	14.239	DIRECT	760,475	588,857
Department of Transportation's TIGER II Planning Grants	14.257	DIRECT	76,219	76,219
Public and Indian Housing	14.704	DIRECT	70,537	-
	14.850	DIRECT	603,936	-
Section 8 Housing Choice Vouchers				
<i>Total Housing Voucher Cluster</i>	14.871	DIRECT	18,849,471	-
			18,849,471	-
Public Housing Capital Fund				
<i>Total CFP Cluster</i>	14.872	DIRECT	513,378	-
			513,378	-
TOTAL U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			26,522,655	4,129,669
U.S. DEPARTMENT OF THE INTERIOR:				
Passed through the Oregon State Office, Bureau of Land Management				
Fish Passage Survey & Crossing Improvement Project	15.234	HAA061010	20,548	-
Title III Aquatic Habitat & Transportation Infrastructure projects	15.234	L11AC20159	63,202	-
Passed through the Oregon State Office				
Distribution of Receipts to State and Local Governments	15.227	HAA059K00	48,000	-
Recreation Resources Management - Hagg Lake Accessibility	15.524	DIRECT	72,418	-
Recreation Resources Management - Hagg Lake Accessibility	15.524	DIRECT	22,355	-
TOTAL U.S. DEPARTMENT OF THE INTERIOR			226,523	-
U. S. DEPARTMENT OF JUSTICE:				
Pr Promoting Evidence Integration in Sex Offender Management				
Passed through the Oregon Commission on Children and Families	16.203	DIRECT	69,578	69,473
Juvenile Accountability Block Grant	16.523	2010-6370	35,045	-
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	FG2010-12	46,240	-
Passed through the Oregon Department of Justice				
Crime Victim Assistance	16.575	VOCA-NC-2010-00041	37,500	-
Crime Victim Assistance	16.575	VOCA-NC-2010-00047	182,161	-
Drug Control Discretionary	16.580	2011-1110	4,499	-
State Criminal Alien Assistance Program	16.606	DIRECT	232,340	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DIRECT	43,764	-
Passed through Oregon Criminal Justice Commission				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	TC012-09JAG	17,897	10,120
Edward Byrne Memorial Justice Assistance Grant Program	16.738	BJ/DC-2011	115,981	67,387
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC034A-12	223,531	170,076
Edward Byrne Memorial Justice Assistance Grant Program	16.738	RE034-07JAG	52,744	40,996
Edward Byrne Memorial Justice Assistance Grant Program	16.738	RE034-11JAG	100,898	82,692
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC034J-12	101,281	-
Byrne Justice Assistance Grant - Juvenile Drug Court Supplement Grant	16.803	BJ/DC-2011	25,444	-
<i>Total JAG Program Cluster</i>			681,540	371,271

See accompanying notes to Schedule of Expenditures of Federal Awards.

WASHINGTON COUNTY, OREGON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2012

Federal Grantor/Cluster Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Number	Expenditures Year Ended June 30, 2012	Amount Provided to Subrecipients
Congressionally Recommended Awards 10	16.753	DIRECT	116,702	92,596
Passed through Oregon Department of Corrections				
Second Chance Act Prisoner Reentry Initiative	16.812	4380	86,827	-
Second Chance Act Prisoner Reentry Initiative	16.812	DIRECT	265,155	255,129
TOTAL U. S. DEPARTMENT OF JUSTICE			<u>1,757,587</u>	<u>788,469</u>
U. S. DEPARTMENT OF TRANSPORTATION:				
Passed through Oregon Department of Transportation				
ARRA - Highway Planning and Construction	20.205	25501	3,226	-
ARRA - Highway Planning and Construction	20.205	26889	22,186	-
Highway Planning and Construction	20.205	25797	384	-
Highway Planning and Construction	20.205	28169	44,904	-
Highway Planning and Construction	20.205	1113WKZN-421 EEE	7,956	-
Highway Planning and Construction	20.205	27288	29,383	-
Highway Planning and Construction	20.205	24457	45,394	-
<i>Total Highway Planning and Construction Cluster</i>			<u>153,433</u>	<u>-</u>
Passed through Oregon Department of Transportation				
National Motor Carrier Safety	20.218	28339	54,855	-
Passed through Ride Connection, Inc				
Job Access - Reverse Commute	20.516	WCCCTT2003	9,334	-
<i>Total Transit Services Programs Cluster:</i>			<u>9,334</u>	<u>-</u>
Passed through Oregon Department of Transportation				
State and Community Highway Safety	20.600	SC-11-35-05 WCS	45,070	-
Occupant Protection Incentive Grants	20.602	OSSA	14,061	-
Occupant Protection Incentive Grants	20.602	OSSA	16,139	-
Occupant Protection Incentive Grants	20.602	OSSA	20,738	-
Occupant Protection Incentive Grants	20.602	OSSA	46,190	-
<i>Total Highway Safety Cluster</i>			<u>142,198</u>	<u>-</u>
National Infrastructure Investments	20.933	IGA w/ METRO	292,394	-
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>652,214</u>	<u>-</u>
U.S. DEPARTMENT OF GENERAL SERVICES ADMINISTRATION				
Donation of Federal Surplus Personal Property	39.003	N/A	628	-
Disposal of Federal Surplus Real Property	39.002	N/A	1	-
TOTAL U.S. DEPARTMENT OF GENERAL SERVICES ADMINISTRATION			<u>629</u>	<u>-</u>
U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
Passed through Oregon State Library				
Laura Bush 21st Century Librarian Program	45.313	IGA/Oregon State Library	3,846	-
TOTAL U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES			<u>3,846</u>	<u>-</u>
U.S. NATIONAL SCIENCE FOUNDATION				
Passed through Portland State University				
Social, Behavioral, and Economic Sciences	47.075	200CHA258	2,908	-
TOTAL U.S. NATIONAL SCIENCE FOUNDATION			<u>2,908</u>	<u>-</u>
U. S. ENVIRONMENTAL PROTECTION AGENCY:				
Regional Wetland Program Development Grants	66.461	DIRECT	44,370	-
Regional Wetland Program Development Grants	66.461	DIRECT	72,062	25,000
Passed through Oregon Department of Human Services				
State Public Water System Supervision	66.432	136957	30,329	-
State Public Water System Supervision	66.432	128878	3,833	-
TOTAL U. S. ENVIRONMENTAL PROTECTION AGENCY:			<u>150,594</u>	<u>25,000</u>
U.S. DEPARTMENT OF ENERGY				
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DIRECT	1,507,285	-
TOTAL U.S. DEPARTMENT OF ENERGY			<u>1,507,285</u>	<u>-</u>
U.S. DEPARTMENT OF EDUCATION				
Passed through Hillsboro & Tuality - Tigard School District,				
Safe and Drug-Free Schools and Communities - National Program	84.184	IGA with TTSD	97,323	9,101
Passed through the Education Northwest				
Parental Information and Resource Centers	84.310	IGA w/ ENW	8,320	-
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>105,643</u>	<u>9,101</u>
U.S. DEPARTMENT OF ELECTION ASSISTANCE COMMISSION				
Passed through the Oregon Secretary of State				
Office of Election Assistance Commission	90.401		34,799	-
TOTAL U.S. DEPARTMENT OF ELECTION ASSISTANCE COMMISSION			<u>34,799</u>	<u>-</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

WASHINGTON COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2012

Federal Grantor/Cluster Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Number	Expenditures Year Ended June 30, 2012	Amount Provided to Subrecipients
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Passed through the National Association of County and City Health Officials				
Medical Reserve Corps Small Grant Program	93.008	MRC100930	5,000	-
Medical Reserve Corps Small Grant Program	93.008	MRC090930	614	-
Passed through Oregon Department of Human Services				
Title VII Chapter 3 Prevention of Elder Abuse, Neglect, and Exploitation	93.041	136597	5,336	-
Title III, Part D - Disease Prevention and Health Promotion Services	93.043	136597	12,564	-
Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	136597	579,050	45,339
Title III, Part C - Nutrition Services	93.045	136597	652,674	585,612
Nutrition Services Incentive Program	93.053	136597	178,929	178,929
<i>Total Aging Cluster</i>			<u>1,410,653</u>	<u>809,880</u>
Passed through Oregon Department of Human Services				
Title II and Title IV Discretionary Projects	93.048	130823	73,748	-
Title II and Title IV Discretionary Projects	93.048	138902	7,781	-
National Family Caregiver Support, Title III, Part E	93.052	136597	168,200	-
Passed through Oregon Health Authority				
Public Health Emergency Preparedness	93.069	132034	17,372	-
Public Health Emergency Preparedness	93.069	135581	613,965	-
Environmental Public Health and Emergency Response	93.070	135581	15,000	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	135581	26,183	-
Projects for Assistance in Transition from Homelessness (PATH)	93.150	134333	50,685	50,685
Family Planning Services	93.217	135581	462,690	-
Projects of Regional and National Significance	93.243	131286	11,230	2,518
Projects of Regional and National Significance	93.243	134333	180,000	56,625
Immunization Cooperative Agreement	93.268	135581	61,159	-
Passed through the Oregon Research Institute				
Drug Abuse and Addictions Research	93.279	1R34 DA031358	4,926	-
Affordable Care Act - Medicare Improvements for Patients and Providers	93.518	IGA w/ NCOA	97,612	-
Promoting Safe and Stable Families	93.556	WASH1113	151,652	151,410
Passed through Oregon Department of Justice				
Child Support Enforcement	93.563	07-GOV-DA-27	1,129,433	-
Passed through Oregon Department of Human Services				
Child Care and Development Block Grant	93.575	WASH1113	63,198	63,198
<i>Total CCDF Cluster</i>			<u>63,198</u>	<u>63,198</u>
Passed through Oregon Department of Human Services				
Foster Care - Title IV-E	93.658	IGA11-05	8,704	-
Passed through Oregon Health Authority				
Social Services Block Grant	93.667	WASH1113	517,891	515,915
Children's Health Insurance Program	93.767	130919	120,000	-
Passed through Oregon Department of Human Services				
Medical Assistance Program	93.778	135581	45,528	-
Medical Assistance Program	93.778	WASH1113-MAC	33,796	33,796
Medical Assistance Program	93.778	134333	135,155	-
<i>Total Medicaid Cluster</i>			<u>214,479</u>	<u>33,796</u>
Passed through Oregon Department of Human Services				
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	93.779	SHIBA 1011-19	5,253	-
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	93.779	SHIBA 1112-19	16,000	-
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	93.779	SHIBA 1112-19	807	-
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	93.779	SHIBA 1112-19	17,043	-
Health Care and Other Facilities	93.887	DIRECT	45,385	45,385
Passed through Oregon Health Authority				
HIV Prevention Activities - Health Department Based	93.940	135581	231,178	-
Block Grants for Community Mental Health Services	93.958	127318	287,752	268,130
Block Grant for Prevention and Treatment of Substance Abuse	93.959	127318	1,973,911	1,799,378
Maternal and Child Health Services Block Grant to the States	93.994	135581	346,304	-
Passed through Oregon Health & Science University				
Maternal and Child Health Services Block Grant to the States	93.994	126133	67,454	-
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>8,421,162</u>	<u>3,796,920</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

WASHINGTON COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Federal Grantor/Cluster Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Number	Expenditures Year Ended June 30, 2012	Amount Provided to Subrecipients
U.S. EXECUTIVE OFFICE OF THE PRESIDENT				
Passed through the Oregon Office of High Intensity Drug Trafficking Program				
High Intensity Drug Trafficking Areas	95.001	G12OR002A	34,919	-
High Intensity Drug Trafficking Areas	95.001	G11OR002A	<u>73,639</u>	-
TOTAL U.S. EXECUTIVE OFFICE OF THE PRESIDENT			<u>108,558</u>	<u>-</u>
U. S. DEPARTMENT OF HOMELAND SECURITY:				
Passed through Oregon Emergency Management:				
Non-Profit Security Program	97.008	08-170	469,521	153,626
Non-Profit Security Program	97.008	09-170	187,801	4,742
Non-Profit Security Program	97.008	10-170	547,087	18,804
Hazard Mitigation Grant	97.039		358,035	-
Emergency Management Performance Grant	97.042	FEMA-DR-1733-OR	122,037	-
Emergency Management Performance Grant	97.042	FY11 EMPG Certificate	182,004	-
State Homeland Security Program (SHSP)	97.073	08-259	4,500	-
State Homeland Security Program (SHSP)	97.073	09-302	37,858	-
State Homeland Security Program (SHSP)	97.073	09-303	69,612	-
State Homeland Security Program (SHSP)	97.073	10-349	9,000	-
State Homeland Security Program (SHSP)	97.073	11-301	1,045	-
State Homeland Security Program (SHSP)	97.073	11-303	3,705	-
State Homeland Security Program (SHSP)	97.073	11-304	5,000	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>1,997,205</u>	<u>177,172</u>
TOTAL FEDERAL AWARDS			<u>\$ 44,009,460</u>	<u>8,926,331</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

WASHINGTON COUNTY, OREGON

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal assistance programs of Washington County, Oregon and its component units. The County's reporting entity is defined in Note 1 to the County's basic financial statements. Financial assistance received directly from Federal agencies as well as financial assistance passed through other government agencies is included on the schedule.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's basic financial statements.

HOME Program

The Office of Community Development 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 Program. The program's responsibility over these loans is to ensure that a specified percentage of the total rental units are rented to low-income individuals.

<u>Program</u>	<u>Federal CFDA* Number</u>		<u>Amount</u>
HOME	14.239	\$	1,206,545

**Catalog of Federal Domestic Assistance*

Non-cash Federal Financial Assistance

Non-cash Federal Assistance includes food donations provided by the United States Department of Agriculture for the National School Lunch Program.

<u>Description</u>	<u>Federal CFDA Number</u>		<u>Amount</u>
Food Donation	10.553	\$	6,040
Food Donation	10.555		10,738

Section 8 Housing Choice Vouchers Program (CFDA 14.871)

The County interprets guidance such that for the Section 8 Housing Choice Vouchers Program, recognition on the Schedule of Expenditures of Federal Awards should reflect current year program revenue, specifically Section 8 Voucher dollars received, net of year-end adjustments, by the County would be the federal awards expended for the fiscal period under audit.

Reporting Under Clusters

While the CDBG – Entitlement Grants Cluster includes CFDA Nos. 14.218, 14.253, and 14.254, the County only expended funds under the 14.218 and 14.253 programs. Similarly, the Public Housing Capital Fund Cluster encompasses CFDA Nos. 14.872, 14.884, and 14.885, yet the County only expended funds under the 14.872 programs.

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WASHINGTON COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2012

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	No
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 <i>Circular A-133</i>	Yes
Identification of major programs:	
CFDA No. 10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
CFDA No. 14.218 - ARRA	CDBG – Entitlement Grants Cluster
CFDA No. 14.253 - ARRA	
CFDA No. 14.871	Housing Voucher Cluster
CFDA No. 81.128 - ARRA	Energy Efficiency and Conservation Block Grant
CFDA No. 93.563	Child Support Enforcement
CFDA No. 93.959	Prevention and Treatment of Substance Abuse
CFDA No. 97.008	Urban Area Security Initiative
Dollar threshold used to distinguish between type A and B programs	\$1,320,284
Auditee qualified as low-risk auditee?	No

WASHINGTON COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 12-01

Federal Programs: Section 8 Housing Choice Vouchers (CFDA 14.871)

Federal Agencies: Housing and Urban Development

Award Year: 2011-2012

Pass Through
Entities: None

Criteria: Per 24 CFR section 982.517 the PHA must maintain an up-to-date utility allowance schedule. The PHA must review utility rate data for each utility category each year and must adjust its utility allowance schedule if there has been a rate change of 10 percent or more for a utility category or fuel type since the last time the utility allowance schedule was revised.

Condition: The Authority's controls did not provide for proper review to ascertain that an adjustment of the utility allowance was made when the utilities fluctuated plus or minus 10% causing the Authority to be out of compliance with the Utility Allowance Schedule requirements.

Context: While obtaining an understanding of internal controls and performing walkthroughs of these controls we noted the Authority was not properly adjusting the utility allowance in accordance with 24 CFR Section 982.517.

Questioned Costs: Known or estimable questioned costs are indeterminable based on the multiple factors that affect the calculation of the utility allowance.

Effect: Tenants participating in the Section 8 program may be receiving more or less Housing Assistance Payments and/or Utility Allowance based on their current situation

Cause: The Section 8 Supervisor reviews the utility allowance every fall and adjusts the allowance according to her analysis. In FY12 the analysis was performed however there was an error in the calculations that could not specifically be identified. The Section 8 Supervisor did not adjust the allowance pending identification of the error so as not to negatively affect the Section 8 participants.

WASHINGTON COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2012

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

Finding 12-01 (Continued)

Recommendation: TKW recommends that the Authority develop and implement policies and procedures such that all utility rate changes of +/- 10% are properly reflected in the utility rate schedule.

Views of
Responsible
Officials:

The County understands and concurs with this finding.

Finding 12-02

Federal Program: Special Supplemental Nutrition Program for Women, Infants and Children (WIC) (CFDA 10.557)

Federal Agency: US Department of Agriculture

Award Year: 2011-2012

Pass Through
Entities:

Oregon Health Authority

Criteria: The requirements for period of availability are contained in the A-102 Common Rule §____.23, OMB Circular A-110 (2 CFR section 215.28), program legislation, Federal awarding agency regulations, and the terms and conditions of the award. Where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency.

Condition: Costs incurred related to travel expenses for subsequent period travel dates through the WIC grant were expensed as incurred during the current period rather than recorded as a prepaid item and expensed in the proper period. Controls over period of availability in this circumstance appear ineffective.

Context: Cost impacts of the condition as described appear to be limited to travel expenses.

Questioned Costs: Known and likely questioned costs total \$3,149.

Effect: As the known and likely costs are determinable, the failure to charge travel expenditures to the correct period does not appear to result in a material noncompliance.

WASHINGTON COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2012

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

Finding 12-02 (Continued)

Cause: The travel expense was purchased and/or paid for in a period prior to when the actual obligation incurred. The County staff responsible for recording this expense did not take the travel dates into account when determining proper period cut-off for this expense.

Recommendation: The County should reinforce through training and additional communication, the criteria for recording expenditures in the proper period in accordance with County policies and Federal compliance requirements

Views of
Responsible

Officials: The County understands and concurs with this finding.

Finding 12-03

Federal Program: Substance Abuse Prevention (CFDA 93.959)

Federal Agency: Health and Human Services

Award Year: 2011-2012

Pass Through

Entities: Oregon Health Authority

Criteria: The County is required to monitor to ensure that sub-recipients are in compliance with the requirements of OMB Circular A-133, which states that In addition to any programmatic eligibility criteria under E, "Eligibility for Sub-recipients," for sub-awards made on or after October 1, 2010, determining whether an applicant for a non-ARRA sub-award has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its sub-award application or, if not, before award (2 CFR section 25.110 and Appendix A to 2 CFR part25).

Condition: Monitoring of sub-recipients was ineffective, in that the County was unaware of certain monitoring requirements related to sub-recipient compliance with OMB Circular A-133, specifically with respect to obtaining DUNS No.'s from sub-recipients prior to sub-award.

Context: Out of a population of 10 sub-recipients, none were found to be in compliance.

Questioned Costs: No known or estimable questioned costs are identified at this time.

WASHINGTON COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2012

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

Finding 12-03 (Continued)

Effect: Failure to request DUNS numbers may result in noncompliance on the part of the sub-recipient being an unregistered thus ineligible vendor/sub-recipient. Such noncompliance may be material to the program at the sub-recipient or pass-through entity level, and may consist of improper expenditure of federal funds to ineligible recipients, or any of the relevant compliance requirements such that future funding to the pass-through entity may be threatened. There are no likely questioned costs identified at this time.

Cause: It appears that underlying the failure to request DUNS numbers, is a lack of awareness with respect to updated compliance requirements.

Recommendation: We recommend that Agency management develop and implement procedures for effective monitoring of sub-recipient contracts in conformance with OMB Circular A-133.

Views of
Responsible
Officials: The County understands and concurs with this finding.

Finding 12-04

Federal Program: Urban Areas Security Initiative (CFDA 97.008)

Federal Agency: US Department of Homeland Security

Award Year: 2011-2012

Pass Through
Entities: Oregon Emergency Management

Criteria: OMB Circular A-133 Subpart C, Section 300 requires Federal award recipients to maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements -- including those associated with A-102 Common Rule (§ 101.21) and OMB Circular A-110 (2 CFR section 215.22) for cash draws-- that could have a material effect on the Federal program. Per OMB Circular A-110 (2 CFR section 215.22 (a)) payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means to the recipients. OMB Circular A-133, Part 3--Compliance

WASHINGTON COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2012

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

Finding 12-04 (Continued)

Criteria (Continued): Requirements for Cash Management states that when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.

Condition: Costs incurred related to subrecipient submitted expenses are not reimbursed to the subrecipients before requests for reimbursement are submitted. Cash reimbursement requests are prepared but are not reviewed prior to submittal.

Context: Although the County is a subrecipient of the City of Portland, and is not a direct recipient of the Federal Awarding Agency, the grant agreement between the County and the City stipulates that the County is to adhere to the requirements set forth in the applicable Federal circulars. Seven (7) cash reimbursement requests were tested as part of the audit; all seven of the requests were signed as prepared but lacked evidence of being reviewed to ensure the requests were appropriate and accurate. Of the seven tested four (4) were submissions by subrecipients requesting reimbursement from the County. The County did not reimburse the subrecipients before submitting the request onto the City of Portland. The likely questioned costs are all subrecipient submitted expenses, which total approximately \$177,000.

Questioned Costs: The known questioned costs are approximately \$57,000, which is the amount of the four subrecipient-submitted expenses selected for testing.

Effect: As there is a lack of controls in place to ensure payments are made to subrecipients before reimbursements are requested, and reimbursements are being requested before County funds are spent, the County is out of compliance with the requirement.

Cause: The underlying cause is twofold. First, there is lack of review of the cash reimbursement requests for accuracy and proper support. Second, the preparer was operating under the assumption that as long as the subrecipient had paid for the items being requested that was sufficient to request a reimbursement and that the County did not need to reimburse the subrecipient before they requested funds as reimbursement.

WASHINGTON COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2012

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

Finding 12-04 (Continued)

Recommendation: The County should reinforce through training and additional communication the criteria for cash management in accordance with Federal compliance requirements.

Views of
Responsible
Officials:

The County understands and concurs with this finding.

Finding 12-05

Federal Program: Urban Areas Security Initiative (CFDA 97.008)

Federal Agency: US Department of Homeland Security

Award Year: 2011-2012

Pass Through
Entities:

Oregon Emergency Management

Criteria: OMB Circular A-133 Subpart C, Section .300 requires Federal award recipients to maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements -- including those associated with A-102 Common Rule (§.21) and OMB Circular A-110 (2 CFR section 215.22) for cash draws-- that could have a material effect on the Federal program. The requirements for compliance with subrecipient monitoring are contained in OMB Circular A-133 (§.225, §.310(d)(5), §.400(d)), A-102 Common Rule (§.37 and §.40(a)), and OMB Circular A-110 (2 CFR section 215.51(a)), program legislation, 2 CFR parts 25 and 170, and 48 CFR parts 4, 42, and 52 Federal awarding agency regulations, and the terms and conditions of the award.

Condition: The County has intergovernmental agreements with local governmental entities to enhance local security initiatives. Several agencies received funding and/or contributed assets purchased with grant funds to carry out the grant. These entities were not evaluated against the criteria to identify them as subrecipients by the County and therefore subrecipient monitoring was not performed, nor were internal controls put into place to ensure proper compliance was being achieved with regards to monitoring requirements. Known and likely questioned costs total \$177,172, the total amount paid to subrecipients and subject to monitoring by the County.

WASHINGTON COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2012

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

Finding 12-05 (Continued)

Context: Out of a population of 10 sub-recipients, none were found to be in compliance.

Questioned Costs: Known and likely questioned costs total \$177,172, the total amount paid to subrecipients and subject to monitoring by the County.

Effect: Failure to monitor subrecipients may result in non-compliance on the part of the subrecipient going undetected and/or uncorrected. Such noncompliance may be material to the program at the subrecipient or pass-through entity level, and may consist of improper expenditure of federal funds, improper equipment management, or any of the relevant compliance requirements such that future funding to the pass-through entity may be threatened.

Cause: It appears that underlying the failure to identify the subrecipients is a lack of understanding the complex pass-through structure of this grant and federal requirements relating to subrecipient monitoring.

Recommendation: The County should reinforce through training and additional communication, the criteria for identifying and monitoring subrecipients in accordance with Federal compliance requirements.

Views of Responsible Officials: The County understands and concurs with this finding.

WASHINGTON COUNTY, OREGON

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2012

Finding 11-01

Federal Programs: Crime Victim Assistance (CFDA 16.575), Family Planning Services (CFDA 93.217), Centers for Disease Control and Prevention Investigations and Tech Assistance (CFDA 93.283), Child Support Enforcement (CFDA 93.563), Medicaid Cluster (CFDA 93.778), Emergency Management Performance Grants (CFDA 97.042), CDBG Entitlement Grants Cluster (CFDA 14.218), Housing Voucher Cluster (CFDA 14.871), Public and Indian Housing (CFDA 14.850), Highway Planning and Construction Cluster (CFDA 20.205), Highway Safety Cluster (CFDA 20.600 and 20.604), Transit Services Cluster (CFDA 20.516)

Federal Agency: US Department of Justice, US Department of Health and Human Services, US Department of Homeland Security, US Department of HUD, US Department of Transportation

Award Year: 2003-04, 2004-05, 2005-06

Condition: In prior years, the County established a reserve fund for the payment of PERS premiums through a differential in the rates charged to operating programs and the actual rates paid to PERS as actuarially determined. The higher, internal rates were erroneously charged against federal programs, and the over-reporting of grant expenses resulted in an over-reimbursement by Federal Agencies.

Corrective Action Taken: In researching the impacts of the County's actions in establishing the reserve fund, the County now understands that in order to reserve monies received from Federal agencies in accordance with OMB Circular A-87 (Section 8 – Compensation for Personnel Services, the County should have requested, and received, prior permission from the Department of HUD as the oversight agency.

Further analysis of the questioned costs done subsequent to the issuance of the prior year report revealed non-grant related costs had been captured in the \$1,248,016. The County immediately sent a letter to the oversight agency explaining the analysis along with a corrected list of questioned costs, as follows:

US Department of Health and Human Service – Child Support Enforcement (CFDA # 93.563) June 30, 2004	\$ 16,999
US Department of Health and Human Service – Child Support Enforcement (CFDA # 93.563) June 30, 2005 Total for CFDA # 93.563	\$ 22,895 <u>\$ 39,894</u>
US Department of Housing and Urban Development – CDBG Entitlement Grants Cluster (CFDA # 14.218) June 30, 2004	\$ 16,639
US Department of Housing and Urban Development – CDBG Entitlement Grants Cluster (CFDA # 14.218) June 30, 2005 Total for CFDA # 14.218	\$ 26,779 <u>\$ 43,418</u>
Total for Washington County	<u>\$ 83,312</u>

On May 31, 2012 payment was sent to the Department of Housing and Urban Development in the amount of \$43,418 and on June 22, 2012 payment was sent to Oregon Department of Human Services in the amount of \$39,894. The County considers this overpayment issue to be resolved at June 30, 2012.

WASHINGTON COUNTY, OREGON

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2012

Finding 11-02

Federal Programs: Energy Efficiency & Conservation Block Grant (CFDA 81.128)

Federal Agency: US Department of Energy

Award Year: 2010-11

Condition: Costs incurred related to improvements funded through the Energy Efficiency and Conservation Block Grant were expensed as incurred rather than capitalized consistent with the County's capitalization policies and requirements for Federal funds expended for assets or improvements in excess of \$5,000 and with useful life greater than one year. As the error was subsequently corrected and reported properly for the fiscal year ended June 30, 2011, there are no resultant known or likely questioned costs.

Corrective Action

Taken: The impact of the condition described was limited to a single project. Prior to correction, \$60,341 of costs were expensed rather than capitalized. The County corrected and properly capitalized and recorded the amount to the fixed asset records and reflected as "federally funded" in accordance with the compliance requirement. The costs were comprised of a combination of fees and consulting services related to the project, necessary to put the asset in service, thereby meeting the criteria to be capitalized.

The County has taken steps to update the procedures manual for capitalizing assets. Language has been included for staff to analyze expense accounts not tied to capital assets accounts, such as Personal and Contractual Services and various other Material and Services accounts where items necessary for the asset may have been posted. Additionally, the County will continue training and communications regarding criteria for capitalization of costs with staff responsible for recording and reporting capital assets.

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