

Government Auditing Standards Report



**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT ON THE
COUNTY'S 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***

To the Board of County Commissioners
Lane County, 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 Lane County, Oregon as of and for the year ended June 30, 2008, which collectively comprise Lane County, Oregon's basic financial statements and have issued our report thereon dated December 4, 2008. In that report we indicated we did not audit the financial statements of the Housing Authority and Community Services Agency of Lane County (the Housing Authority). Those financial 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 Housing Authority, is based solely on the report of 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

In planning and performing our audit, we considered Lane County, Oregon's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lane County, Oregon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lane County, Oregon's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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STANDARDS***

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lane County, Oregon'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 and the reports of other auditors disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Lane County, Oregon Board of Commissioners, Oregon Secretary of State Division of Audits, and 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.

Moss Adams, LLP

Eugene, Oregon
December 4, 2008

OMB Circular A-133 (Single Audit) Report



**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT ON THE
COUNTY'S COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of County Commissioners
Lane County, Oregon

Compliance

We have audited the compliance of Lane County, Oregon with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Lane County, Oregon'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 Lane County, Oregon's management. Our responsibility is to express an opinion on Lane County, Oregon'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 Lane County, Oregon'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 Lane County, Oregon's compliance with those requirements.

In our opinion, Lane County, Oregon complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Lane County, Oregon is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations,

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contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lane County, Oregon's internal control over compliance with 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, 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 Lane County, Oregon's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Lane County Oregon Board of Commissioners, Oregon Secretary of State Division of Audits, and 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.

Moss Adams, LLP

Eugene, Oregon
December 4, 2008

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2008

Federal Grantor and Program Title	CFDA Number	Pass-Through Entity Number	Expenditures
<u>U. S. Department of Agriculture</u>			
Passed through Oregon Department of Education:			
National School Lunch Program	10.555	10.555	\$ 72,992
Passed through Oregon Department of Human Services:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	07/08-280559	999,572
Schools and Roads Grants to States	10.665	PL 106-393/HAF061B09	32,589,441
Total U. S. Department of Agriculture			33,662,005
<u>U. S. Department of Defense</u>			
Direct programs:			
Flood Control Leases	12.112		21,682
Total U. S. Department of Defense			21,682
<u>U. S. Department of Housing and Urban Development</u>			
Direct programs:			
Community Planning and Development - viable living	14.218		444,216
Supportive Housing Program	14.235		1,267,195
Passed through Oregon Housing & Community Services Department:			
Economic and Community Development	14.228	100104/Mapleton/HR410	718,689
Emergency Shelter Grants Program	14.231	ESPG 06/07	210,561
HOME Investments Partnerships Program	14.239	Home TBA 07	294,634
Total U. S. Department of Housing and Urban Development			2,935,295
<u>U. S. Department of the Interior</u>			
Direct programs:			
Distribution of Receipts to State and Local Governments (O&C)	15.227		15,037,319
Passed through Oregon Fish and Wildlife:			
Long Tom Watershed Council	15.231	PW07052202	14,500
Oregon State Marine Board	15.616	Lane County	8,213
Total U. S. Department of the Interior			15,060,032
<u>U. S. Department of Justice</u>			
Direct programs:			
Education and Training to end Violence against Women with Disabilities	16.529		121,352
Crime Victim Assistance/Discretionary Grants	16.580		40,000
Violence Against Women Program	16.590		206,564
State Criminal Alien Assistance Program	16.606		203,725
Passed through Oregon Department of Justice:			
Crime Victim Assistance	16.575	06-2622/07-2903	84,190
Public Safety Partnership and Community Policing Grants	16.710	2006CKWX0501	82,266
Edward Bryne Memorial Justice Assistance Grant Program	16.738	2006DJBX0365/2007DJBX1076	48,276
Passed through Oregon State Police:			
Juvenile Accountability Incentive Block Grants	16.523	06-6356	23,574
Violence Against Women Formula Grant	16.588	07-VAWA-2975	50,000
Total U. S. Department of Justice			859,947
<u>U. S. Department of Transportation</u>			
Passed through Oregon State Department of Transportation:			
Emergency Relief Program - FHWA	20.205	PW07100802	304,986
State and Community Highway Safety	20.600	157SC-07-35-05	13,012
Passed through Oregon State Sherriff's Association:			
Occupant Protection	20.602	Lane County	30,383
Minimal Penalties for Repeat Offenders for driving while intoxicated	20.608	Lane County	45,138
Total U. S. Department of Transportation			393,519
<u>U. S. General Services Administration</u>			
Direct programs:			
Federal Surplus Real Property	39.002		383
Total U. S. General Services Administration			383

Schedule of Expenditures of Federal Awards, continued

For the Fiscal Year Ended June 30, 2008

Federal Grantor and Program Title	CFDA Number	Pass-Through Entity Number	Expenditures
<u>U. S. Environmental Protection Agency</u>			
Direct programs:			
Brownfields Assessment and Cleanup Cooperative Agreement	66.818		\$ 2,450
Total U. S. Environmental Protection Agency			2,450
<u>U. S. Department of Energy</u>			
Passed through Oregon Housing and Community Services:			
Weatherization Assistance for Low-Income Persons	81.042	DOE 07/08 WX/BPA 07/08 NASP & W>	473,507
Total U. S. Department of Energy			473,507
<u>U. S. Department of Education</u>			
Passed through Oregon Department of Human Services:			
Safe and Drug-Free Schools and Communities State Grants	84.186	119938	100,000
Total U. S. Department of Education			100,000
<u>U. S. Department of Health and Human Services</u>			
Direct Programs:			
Consolidated Health Centers	93.224		1,177,416
Drug Free Communities Support Program Grant	93.276		81,344
Passed through Oregon Department of Human Services:			
Maternal and Child Health Federal Consolidated Programs	93.110	PE 44	50,880
Projects for Assistance in Transition from Homelessness (PATH)	93.150	119938	59,960
Family Planning	93.217	121018	51,887
Early Childhood Prevention Education	93.243	121018	65,762
Immunization Grants - noncash assistance	93.268	PE 01	114,383
Centers for Disease Control and Prevention			
Investigations and Technical Assistance	93.283	121018	304,798
Temporary Assistance for Needy Families	93.558	119938	60,635
Child Support Enforcement	93.563	07-Gov-DA-15	1,113,535
HIVA Dental Services	93.928	6 H97HA07526-01-01	92,643
Block Grants for HIV Prevention	93.940	121018	76,196
Block Grants for Community Mental Health Services	93.958	119938	261,771
Block Grants for Prevention and Treatment of Substance Abuse	93.959	119938	1,029,960
Maternal and Child Health Services Block Grant to States	93.994	121018	183,817
Passed through Oregon Commission on Children & Families:			
Promoting Safe and Stable Families	93.556	222806	41,740
Child Care and Development Block Grant	93.575	222806	93,471
Social Services Block Grant	93.667	222806	452,433
Medical Assistance Program	93.778	121018	169,069
Passed through Oregon Housing & Community Services Department:			
Temporary Aid to Needy Families	93.558	119938	120,912
Low-Income Home Energy Assistance	93.568	LIEAP/ LIEAP Leverage/ WX 06/07/08	2,725,685
Community Services Block Grant	93.569	CSBG 07-08	410,749
Total U. S. Department of Health and Human Services			8,739,046
<u>U. S. Department of Homeland Security</u>			
Passed through Oregon State Marine Board:			
Marine Safety	97.012	221262	450,025
Passed through Oregon Emergency Management:			
Civil Defense Grants	97.042	223185	120,721
Passed through Oregon Office of Homeland Security			
Law Enforcement Terrorism Prevention Program	97.074	07-165	71,350
Total U. S. Department of Homeland Security			642,096
Total Expenditures of Federal Awards			\$ 62,889,962

Notes to Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2008

1. Purpose of the Schedule

The accompanying schedule of expenditures of federal awards is a supplementary schedule to Lane County, Oregon's (the "County") basic financial statements and is presented for purposes of additional analysis. Because the schedule presents only a selected portion of the activities of the County, it does not present the financial position, changes in financial position, or the cash flows of the County.

2. Significant Accounting Policies

Reporting Entity

The reporting entity is fully described in Note I.A. to the County's basic financial statements. The schedule includes all federal programs administered by the County for the fiscal year ended June 30, 2008 except for those administered by the Housing and Community Services Agency. This component unit receives federal monies under its own employer identification number and independently submits its schedule and related internal control and compliance reports as required by *OMB Circular A-133*.

Basis of Presentation

The information in the schedule is presented in accordance with *OMB Circular A-133*.

Federal Financial Assistance

Pursuant to the *Single Audit Act* and *OMB Circular A-133*, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and is reported on the schedule (if applicable). Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the County and the federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Major Programs

The *Single Audit Act* and *OMB Circular A-133* establish criteria to be used in defining major programs. Major programs are those programs selected for testing using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in *OMB Circular A-133*. Programs with similar requirements may be grouped into a cluster for testing purposes.

Basis of Accounting

Receipts and expenditures are accounted for using the modified accrual basis of accounting. Revenues are recorded when measurable and available, or in the case of grants where expenditure is the prime factor for determining eligibility, when the expenditure is made. Expenditures are recorded when a liability is incurred.

3. Insurance Coverage

For the year ended June 30, 2008, the County had insurance in effect as recommended by their agent of record which was comparable in coverage to other counties of similar size and circumstance.

4. Non-cash Assistance

A total of \$114,383 was received in non-cash assistance and is included in federal awards expended.

**LANE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified
 Internal control over financial reporting:

- Material weakness(es) identified? _____ yes ___X___ no
- Significant deficiencies(s) identified that are not considered to be material weaknesses? _____ yes ___X___ no

Noncompliance material to financial statements noted? _____ yes ___X___ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes ___X___ no
- Significant deficiencies (s) identified that are not considered to be material weaknesses? _____ yes ___X___ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes ___X___ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.665	USDA – Schools & Roads, Grants to States

Dollar threshold used to distinguish between type A and type B programs: \$ 1,886,699
 Auditee qualified as low-risk auditee? ___X___ yes _____ no

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

Summary Schedule Of Prior Audit Findings

For the Fiscal Year Ended June 30, 2008

Follow-up on findings reported June 30, 2007

Findings – Financial Statement Audit

Finding 2007-01: Material weakness in internal controls for monitoring of expenditures for year-end recognition

Condition and Perspective Information: During our audit of Lane County's (County) financial statements, we noted one invoice totaling approximately \$757,000 which covered work performed between May 2007 and July 6, 2007, on behalf of the Solid Waste Fund, that was not recorded in the financial statements as a current year transaction. A majority of the work was completed during fiscal year 2007 and should have been included in the financial statements as additions to construction in progress and accounts payable.

Recommendation: We recommend the County review its procedures and instructions to department personnel responsible for monitoring of expenditures for cut-off to ensure they are adequately communicated. Additionally, the County's Finance Department may consider review of expenditures which they consider material to each fund in order to prevent potential misstatements.

Status: Fully resolved. Financial Services Division revised fiscal year end training and communication to department personnel and have instituted procedures to review disbursements after year end for proper cutoff.

Finding 2007-02: Significant deficiency in internal controls for monitoring of revenues for year-end recognition

Condition and Perspective Information: During our audit of Lane County's (County) financial statements, we noted that Lane County receives reimbursements from the State of Oregon for work performed on behalf of the Oregon Department of Transportation. Based upon a review of the timing of the work, the project's contract and consideration of the basis of accounting, it was determined that \$560,000 should have been recorded as accounts receivable and revenue for fiscal year 2007.

Recommendation: We recommend the County review its procedures and instructions to the department personnel responsible for monitoring of receivables and revenue for cut-off to ensure they are sufficiently communicated. Additionally, the County should consider implementing a centralized accounts receivable system to improve completeness and cut-off controls over billings and collections of various departmental revenues.

Status: Fully resolved. Financial Services Division has implemented a centralized accounts receivable system.

Findings and Questioned Costs – Major Federal Award Programs Audit

None