

GOVERNMENT AUDITING STANDARDS

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, 2009, which collectively comprise Lane County, Oregon's basic financial statements and have issued our report thereon dated December 16, 2009. 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.

**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***

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 16, 2009

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, 2009. 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, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2009-01.

**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**

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, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as described below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-01 to be a significant deficiency.

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. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

**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**

Lane County Oregon's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Lane County, Oregon's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Lane County, Oregon's 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 16, 2009

Lane County, Oregon

Schedule of Expenditures of Federal Awards

For Fiscal Year ended June 30, 2009

Federal Grantor and Program Title	CFDA Number	Pass Through Entity Number	Expenditures
U.S. Department of Agriculture			
Direct Programs:			
Collaborative Forest Restoration	10.679		203,702
Passed through Oregon Department of Education:			
National School Lunch Program	10.555		71,392
Passed through Oregon Department Of Human Services:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	08/09	1,061,988
Passed through Oregon Department of Administrative Services:			
Schools and Roads Grants to States	10.665	PL 106-393/HAF061B09	29,427,562
Total U.S. Department of Agriculture			30,764,644
U.S. Department of Defense			
Pass through Oregon Department of Administrative Services:			
Payments to States in Lieu of Real Estate Taxes-Flood Control Leases	12.112		16,923
Total U.S. Department of Defense			16,923
U.S. Department of Energy			
Passed through Oregon Housing & Community Services:			
Weatherization Assistance for Low-Income Persons	81.042	2008BPA 2008DOE 2009BPATTA	739,814
ARRA-Weatherization Assistance for Low-Income Persons	ARRA 81.042	2009DOEARRA	30,227
Total U.S. Department of Energy			770,041
U.S. Department of Education			
Passed through Oregon Department of Human Services			
Safe and Drug-Free Schools and Communities	84.186		80,000
Total U.S. Department of Energy			80,000
U.S. Department of Health and Human Services			
Direct Programs:			
Consolidated Health Centers	93.224		1,183,791
ARRA-Community Health Center	ARRA 93.703		34,508
Drug Free Communities Support Program Grant	93.276	SP12417-04	45,901
Health Care and Other Facilities	93.887	C76HF03499	73,812
Passed through Oregon Department of Human Services:			
Pandemic Flu	93.069		165,032
Maternal and Child Health Federal Consolidated Programs	93.110		25,384
Family Planning	93.217		71,135
Early Childhood Prevention	93.243		84,210
Immunization Grants-noncash assistance	93.268		95,171
ARRA-Child Support Enforcement	ARRA 93.563		312,894
Special Projects of National Significance	93.928		98,268
Block Grants for HIV Prevention	93.940		101,157
Block Grants for Community Mental Health Services	93.958		267,268
Block Grants for Prevention and Treatment of Substance Abuse	93.959		970,998
Maternal and Child Health Services Block Grant to States	93.994		147,589
Passed through Oregon Commission on Children and Families:			
Promoting Safe and Stable Families	93.556		115,728
Child Care and Development Block Grant	93.575		151,897
Positive Youth Development Grant	93.623	REV-9747	36,689
Social Services Block Grant	93.667		566,567
Medical Assistance Program	93.778		113,904
Passed through Oregon Housing & Community Services Department:			
Low Income Energy Assistance Program	93.568	LIEAP 07 Leverage /WX	4,386,962
Community Services Block Grant	93.569	CSBG 08-09	477,807
Passed through Oregon Department of Justice:			
Child Support Enforcement	93.563		843,070
Passed through Looking Glass Youth & Family Services:			
Communities Empowering Youth	93.009	REV14361	22,463
Total U.S. Department of Health & Human Services			10,392,205
U.S. Department of Homeland Security			
Passed through Oregon Emergency Management:			
Civil Defense Grants SAR	97.042	223185	133,871
Civil Defense Grants Communications	97.073	08-235	20,184
Passed through Oregon State Marine Board:			
Marine Safety	97.012	REV-13545	466,914
Total U.S. Department of Homeland Security			620,969

Schedule of Expenditures of Federal Awards

For Fiscal Year ended June 30, 2009

Federal Grantor and Program Title	CFDA Number	Pass Through Entity Number	Expenditures
<u>U.S. Department of the Interior</u>			
Direct Programs:			
Fish, Wildlife and Plant Conservation Resource Management	15.231	PW08031001	210,159
Payment in Lieu of Taxes	15.226		955,117
Distribution of Receipts to State and Local Governments (O&C)	15.227		13,561,419
Passed through Oregon State Marine Board:			
Maintenance Assistance Payment Clean Vessel	15.616		10,950
Total U.S. Department of the Interior			14,737,645
<u>U.S. Department of Justice</u>			
Direct Programs:			
Education and Training to end Violence against Women with Disabilities	16.529		157,771
Crime Victims Assistance	16.580		18,920
Violence Against Women Program	16.590		213,287
State Criminal Alien Assistance Program	16.606		475,590
Passed through Oregon Department of Justice:			
Oregon Dept of Justice, Crime Victims Svc Division	16.575	07-2903 & 08-3199	88,434
STOP Violence Against Women	16.588	08-VAWA-3103	75,000
Bulletproof Vest Partnership	16.607		6,877
Public Safety Partnership and Community Policing Grants	16.710	2006CKWX0501	211,855
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008DJBX0301/2006CKWX0501	7,329
Passed through Oregon Commission on Children and Families:			
Juvenile Accountability Block Grant	16.523	229019	23,573
JJDP Challenge Grants	16.549	CG2003-04	20,000
Total U.S. Department of Justice			1,298,636
<u>U.S. Department of Labor</u>			
Direct Programs:			
Youth Offender Grant	17.261	REV-9427	775,774
Passed through Lane Workforce Partnership:			
Workforce Initiative Act	17.259	230998	101,535
ARRA-Workforce Initiative Act	ARRA 17.259	REV-16661	7,308
Total U.S. Department of Labor			884,617
<u>U.S. Department of Transportation</u>			
Passed through Oregon State Department of Transportation			
ARRA-ODOT-Road improvements	ARRA 20.205		24,025
Oregon Department of Transportation-MUTT	20.600	SC-08-35-05 LCS/SC-09-35-05 LCS	89,020
Passed through Oregon State Sheriffs Association:			
Occupant Protection	20.602	Lane County	42,957
Minimal Penalties for Repeat Offenders for driving while intoxicated	20.608	Lane County	37,122
U.S. Department of Transportation Total			193,124
<u>U.S. Environmental Protection Agency</u>			
Passed through Oregon Department of Human Services:			
State Public Water System Supervision	66.432		18,639
Capitalization Grants for Drinking Water State Revolving Funds	66.468		4,620
U.S. Environmental Protection Agency Total			23,259
<u>U.S. General Services property donation</u>			
Direct Programs:			
Donation of Federal Surplus Personal Property	39.003		525
U.S. General Services property donation Total			525
<u>U.S. Housing and Urban Development</u>			
Direct Programs:			
Community Development Block Grant-viable living	14.218	12601	440,753
Supportive Housing Program	14.235		1,271,638
Passed through Oregon Housing and Community Services Department			
Economic and Community Development	14.228	100104/Mapleton/HR410 Blue River	991,019
Emergency Shelter Grants Program	14.231	ESGP 08	173,008
HOME Investments Partnerships Program	14.239	Home TBA 07/08	223,101
U.S. Housing and Urban Development Total			3,099,519
Total Expenditures of Federal Awards			62,882,107

Notes to Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2009

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, 2009 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, 2009, 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 \$95,696 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, 2009**

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? X yes _____ no

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? X yes _____ no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

Schools and Roads Cluster:

10.665

Schools and Roads - Grants to States

15.227

Distribution of Receipts to State & Local Governments

81.042

Weatherization Assistance for Low-Income Persons

93.224

Consolidated Health Centers

93.563

Child Support Enforcement

Dollar threshold used to distinguish between type A and type B programs: \$ 1,886,463

Auditee qualified as low-risk auditee? _____ yes X no

**LANE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009**

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

Finding 2009-01 Subrecipient Monitoring: Review of Subcontractor Eligibility Determinations

Federal Program: Weatherization Assistance for Low-Income Persons

Federal Agency: U.S. Department of Energy

Award Year: 2008 - 2009

Criteria or specific requirement: A pass-through entity is responsible for monitoring the subcontractor's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subcontractor administers Federal awards in compliance with laws, regulations and the provisions of contracts and grant agreements and that performance goals are achieved.

Condition: The County relied on the State granting agency to review the subcontractor's eligibility determinations, when in fact it was the State granting agency who stipulated in the master grant agreement that the County is responsible for determining its subcontractor follows the applicable grant requirements.

Questioned Costs: None

Context: Eligibility determination is a critical component of this grant. For this compliance requirement the County was relying on the State granting agency's eligibility determination review performed in 2008 over a sample of five participants.

Effect: Monitoring of subcontractor performance, in terms of determining eligibility, was delegated to the State granting agency without authorization. Accordingly, funds passed through to the subcontractor may not have been used in compliance with grant provisions.

Cause: The lack of timely or complete monitoring of the subcontractor appears to be due to a decision to utilize staff resources elsewhere.

Recommendation: We recommend the County develop and implement a policy to specify, by level or position, review and approval responsibilities for subcontractor compliance with grant provisions, with consideration specifically to eligibility requirements.

**LANE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

View of the Responsible Officials and Planned Corrective Actions (unaudited): The weatherization grantor, Oregon Housing and Community Services Agency (OHCS), performs biennial eligibility monitoring of Lane County's weatherization sub-recipient agency. Lane County will continue to include the results of the OHCS eligibility monitoring as a portion of the monitoring of the sub-recipient agency in the sub-recipient monitoring file. In addition to the eligibility monitoring performed by OHCS, Lane County will perform biennial sub-recipient eligibility monitoring.

Lane County Program Service Coordinator staff will be responsible for ensuring that client eligibility monitoring is completed each biennium.

Lane County will review a sampling of 50 weatherization client files each biennium to ensure the households sampled meet the eligibility criteria and to ensure that the sub-recipient is properly determining eligibility.

Lane County will continue to provide annual eligibility training to the sub-recipient staff responsible for performing eligibility determinations.

If the sub-recipient agency has a new employee in the position of determining household eligibility, Lane County will provide ad hoc eligibility training to the new employee. Additionally, Lane County will do an on-site, eligibility monitoring visit following the training to ensure that new employee is doing correct eligibility screening, regardless of if the biennial file monitoring has already been completed.

Lane County will apply the eligibility monitoring tools and processes used in its various energy assistance programs to the eligibility monitoring of the weatherization sub-recipient agency.

Lane County will provide the sub-recipient with an exit report that lists the client files monitored and any noteworthy findings, errors or opportunities for improvement found. If corrective action is requested, Lane County will provide a detailed description of the corrective action required and provide a timeline for fulfillment of the corrective action request.

Lane County, Oregon

Summary Schedule Of Prior Audit Findings

For the Fiscal Year Ended June 30, 2009

Follow-up on findings reported June 30, 2008

Findings – Financial Statement Audit

None

Findings and Questioned Costs – Major Federal Award Programs Audit

None