# CITY OF PORTLAND, OREGON FEDERAL AND STATE GRANT PROGRAMS

INDEPENDENT AUDITOR'S REPORTS AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**JUNE 30, 2009** 

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<sup>\*</sup> Incorporated by reference only

## CITY OF PORTLAND, OREGON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass-through Grantor and Program Title	Federal CFDA Number	ldentifying Number	Expenditures Year Ended 6/30/2009
J.S. Department. of Commerce		_	
Passed through LCREP			
Habitat Conservation			
LCREP Lower Willamette River	11.463	22-2006	\$ 25,36
LCREP Lower Willamette River	11.463	22-2006	2,71
NOAA FA/Stephen's Creek otal U.S. Department. Of Commerce	11.463	FAF-8037	43,20 71,27
J.S. Department. of Housing and Urban Development Community Development Block Grant/Entitlements (Entitlement and Sr Direct Programs:	mall Cities cluster)		
CDBG 07	14.218	B-07-MC-41-0003	8,748,15
CDBG 08	14.218	B-08-MC-41-0003	1,563,68
Passed through City of Gresham			
Gresham CDBG 08/09	14.218	N/A	15,63
Passed through Multnomah County Mult Co CDBG 08/09	14.218	MC4600007373	5,76
Total Community Development Block Grant/Entitlements			10,333,24
Direct Programs:			10,505,24
Emergency Shelter Grants Program			
Emergency Shelter 07	14.231	S07-MC-41-0001	90,45
Emergency Shelter 08 Total Emergency Shelter Grants Program	14.231	S08-MC-41-0001	354,96 445,41
Direct Programs:			710,11
Supportive Housing Program			
McKinney OTIS 08-09	14.235	OR16B701021	262,95
Homeless Management Information System 08-09	14.235	OR16B701024	201,70
HMIS 2009-10	14.235	OR0025B0E010801	47,60
Total Supportive Housing Program			512,26
Direct Programs: Home Investment Partnerships Program			
HOME 04	14.239	MC-04-DC-41-0203	393,73
HOME 05	14.239	MC-05-DC-41-0203	8,64
HOME 07	14.239	MC-07-DC-41-0203	3,610,210
Total Home Investment Partnerships Program			4,012,58
Direct Programs:			
Housing Opportunities for Persons with AIDS			
HOPWA 07	14.241	ORH07F001	390,294
HOPWA 08	14.241	ORH08F001	648,598
Passed through Collins Foundation Income to Rent Fund	14.241	51229	6,171
Total Housing Opportunities for Persons with AIDS	14.211	01223	1,045,063
Direct Programs:			
Community Development Block Grants/Brownfields Economic D			
HUD PORTLAND PUBLIC MARKET Streetcar Eastside HUD 04 T00014	14.246	B-04-SP0ORO626	61,000
Streetcar Eastside HUD 04 100014 Streetcar Lowell Ext HUD T00071	14.246 14.246	B-04-SP0OR-0632 B-05-SP-OR-0231	(19,372 496,000
Streetcar HUD Eastside T00014	14.246	B-05-SP-OR-0924	(14,434
Total Community Development Block Grants/Brownfields Econo			523,194
Direct Programs:			
	od initiatives	B-08-SP-OR-0554	35,873
Economic Development Initiative-Special Projects, Neighborhor WASHINGTON MONROE EDI SPEC PRJ GRANT Total Economic Development Initiative-Special Projects, Neighb	14.251 orhood Initiatives	2 00 01 011 0004	35.873
Economic Development Initiative-Special Projects, Neighborhoo WASHINGTON MONROE EDI SPEC PRJ GRANT Total Economic Development Initiative-Special Projects, Neighb		2 00 01 01(0004	35,873
Economic Development Initiative-Special Projects, Neighborhoo WASHINGTON MONROE EDI SPEC PRJ GRANT		2 00 01 01(000)	35,873
Economic Development Initiative-Special Projects, Neighborhoo WASHINGTON MONROE EDI SPEC PRJ GRANT Total Economic Development Initiative-Special Projects, Neighb Direct Programs		ORLHB0337-06	35,873 1,308,764
Economic Development Initiative-Special Projects, Neighborhor WASHINGTON MONROE EDI SPEC PRJ GRANT Total Economic Development Initiative-Special Projects, Neighb Direct Programs Lead Based Paint Hazard Control in Privately-Owned Housing	oorhood Initiatives 14.900		·

## CITY OF PORTLAND, OREGON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2009

Fordered Country (Done About the Country of Done 1	Federal CFDA	Identifying	Expenditures Year Ended
Federal Grantor/Pass-through Grantor and Program Title	Number	Number	6/30/2009
U.S. Department. of Interior			
Direct Programs			
North American Wetlands Conservation Fund			
USFWS NAWCA Oaks Bottom 07	15.623	OR-N71B	8,39
Total North American Wetlands Conservation Fund	70.020	2	8.3
			0,0
Passed through US Fish and Wildlife			
Sportfishing and Boating Safety Act			
Riverplace Trans Tie-up	15.622	OSMB #1320	26,2
			26,2
Passed through NPS			
Historic Preservation Fund Grants-In-Aid			
SHPO FY 07/08	15.904	OR-07-18	2,37
SHPO FY 08/09	15.904	OR-07-18	11,30
Total Historic Preservation Fund Grants-In-Aid			13,6
Outdoor Repression Acquisition, Development and Planning			
Outdoor Recreation Acquisition, Development and Planning EAST DELTA PARK STRASSER FIELD REHABILITAT	15.916	NPS 41-01568, OP2503	24.5
EAST DELTA PARK STRASSER FIELD REHABILITATI	15.916	NFS 41-01566, OP2503	24,5
			24,5
Total U.S. Department of the Interior			72,7
out old beparation. Of the interior			
J.S. Department. of Justice			
Direct Programs			
National Institute of Justice Research			
Cold Case DNA	16.560	2008-DN-BX-K414	60,46
Total National Institute of Justice Research			60,46
Crime Victims Assistance	40.575	00.0457	
VOCA 08	16.575	08-3157	29,46
Total Crime Victims Assistance			29,46
Edward Byrne Memorial State & Local Law Enforcement Assistan	ce		
2008 Smart/Adam Walsh Act-includes car capital exp (F	16.580	2008-DD-BX-0019	172,93
Marijuana Eradication 2009	16.580	LOA#2009-100	16,44
Total Edward Byrne Memorial State & Local Law Enforcement As			189,37
·			·
Grants to Encourage Arrest Policies and Enforcement of Protection	n Orders		
DVERT 06	16.590	2006-WE-AX-0057	16,93
Total Grants to Encourage Arrest Policies and Enforcement of Pro	tection Orders		16,93
One work One of the Development Office			
Community Capacity Development Office	40.505	1700000047	7.0
HIDTA 2007	16.595	I7PORP501Z	79
HIDTA 2008-Interdiction/DVD	16.595	I8PORP502Z	51,00
HIDTA 08 Gangs/TOD HIDTA 09 Interdiction/DVD	16.595 16.595	I8PORP502	55,00
Total Community Capacity Development Office	10.595	2009-HIDTA INTERDICTION	8,25 115,04
Total Community Capacity Development Office			115,04
Bulletproof Vest Partnership Program			
Bulletproof Vest 05	16,607	Unknown	8,40
Bulletproof Vest 08	16.607	08-XT3A-2	21,53
Total Bulletproof Vest Partnership Program		•	29,94
Public Safety Partnership and Community Policing Grants			
COPS Integrity	16.710	2002HSWX0026	20,34
COPS More 98	16.710	98CLWX0183	288,18
COPS Meth 06	16.710	2006-CKWX0500	2,67
Total Public Safety Partnership and Community Policity Grants			311,19
Gang Reciptance Education and Training			
Gang Resistance Education and Training	16 727	2008 IV EV 0062	450.00
Great Local 08 Great Regional 2008	16.737 16.737	2008-JV-FX-0062 2008-DD-BX-0520	150,000
Total Gang Resistance Education and Training	10.737	2000-DD-DA-0920 *	165,226 315,226

## CITY OF PORTLAND, OREGON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass-through Grantor and Program Title	Federal CFDA Number	ldentifying Number	Expenditure Year Ended 6/30/2009
rederal Granton Pass-timough Granton and Program Tide	Number	Number	6/30/2009
Edward Durne Memorial Justice Assistance Creat Brearem			
Edward Byrne Memorial Justice Assistance Grant Program JAG 06	16.738	2006-DJ-BX-0381	196.
JAG 00	16.738	2007-DJ-BX-0887	80,
J <b>AG</b> 08	16.738	2008 DJ BX-0283	88,
Total Edward Byrne Memorial Justice Assistance Grant Program	10.700	2000 20 27-0200	365,
Total Zanara Dj. na mamana dadica ricalatanca didik ri ogram			000,
Paul Coveardell Forensic Sciences Improvement Grant Program			
Coverdell Forensic Science Improvement Grant	16.742	2008-CD-BX-0077	49,
Total Paul Coveardell Forensic Sciences Improvement Grant Pro	gram		49,
Passed through Multnomah County District Attorney Office			
Community Prosecution and Project Safe Neighborhoods			
PSN AGI 07 Firearms	16.609	MC# 460006908	18,
Total Community Prosecution and Project Safe Neighborhoods			18,
Federill O. Demontropole of heating			
Total U.S. Department of Justice			1,501,
10 December of Terror and Nove			
J.S. Department, of Transportation  Highway Planning and Construction Cluster			
Highway Planning and Construction Cluster  Highway Planning and Construction			
Passed through Oregon Dept of Transportation			
I-405 MARQUAM BRIDGE TO FREMONT BRIDGE TOO	20.205	ODOT 25308 IGA#52582	2,2
SAFE ROUTES TO SCHOOL AGREEMENT #21,492 To	20.205	ODOT 23935	6,0
Union Station Restoration Phase 2	20.205	24432	68,
WAUD Bluff Trail P10226	20.205	ODOT AGR#22/KEY#14273	8,
Columbia Slough Trail P10224	20.205	ODOT #24517/KEY#15208	4,6
ODOT Work Zone 07	20.205	070908WKZN-421 FFF	131,4
EPA SmartWay Technology Outreach Center/ ODOE Di-	20.205	25.012 / 21.492	195,7
92nd Holgate/Powell IMPS LENTS T00087	20.205	22474	213,8
East Max Station TGM	20.205	ODOT 24637 EA#TGM8LA-54	83,5
NE 122 & Lombard Haz Elim T00061	20.205	ODOT 23012	(22,
N Going St Bridget Rehab-OTIA T00025	20.205	C#23352 KEY 13991	121,0
N Leadbetter Extention Oxing T00026	20.205	ODOT #23368 Key 13990	136,6
HAWTHORNE 20-55TH SE T00010	20.205	N/A	(109,2
GATEWAY:102ND AVE T00008 TTG/ PRJ 37482 T00	20.205	N/A	251,6
TTG - NW 23rd - ODOT Key # 12478 T00050 TTG-ODOT PROJ 37448 HEP LINNTON, NW T00074	20.205 20.205	<b>N</b> /A 52284	81,4
TTG-ODOT PRO3 37448 HEF EINITON, NW 100074	20.205	N/A	13,8 215,2
KERBY N I-405 T00075	20.205	N/A	213,2
TTG-ODOT PROJ 37489 NAITO PKWY:DAVIS - MARK	20.205	N/A	(4,0
TTG- PROJ 37588 BURNSIDE: BURNSIDE BR - 14TH	20.205	N/A	299,2
SANDY/BURNSIDE 33RD HEP T00103	20.205	N/A	12,5
COLUMBIA RIVER CROSSING	20.205	GCA-4842	1,9
Lombard: Col SI O-XING T00027	20.205	24540	47,2
MLK VIADUCT T00054 (TR000033 duplicate record clo	20.205	ODOT# 733 CITY CONTRACT	41,0
NE Cully Blvd: NE Prescott to NE Killingsworth Key 1350	20.205	13506	367,6
N IVANHOE N RICHMOND (ST JOHNS) T00018	20.205	KEY 13514	55,3
82ND AVE COL INTERSECTION T00119 SF	20.205	N/A	8,3
Passed through DLCD			
Passed through DLCD CENTRAL EASTSIDE STREET PLAN TGM	20.205	25192	E7 E
Sandy @ 57th HEP T00062	20.205	12150	57,5
N Burgard Rd Over ABAN RR T00051	20.205	08686	23,2 1,1
SE Foster Rd Over Johnson Creek T00053	20.205	11086	7,1
SET GOLD THE GYEL COMMON STOCK TOUGHT	20.200	11000	,
Passed through Metro			
COL/MLK BLVD T00024	20.205	ODOT#23910/METRO#927449	17,9
GIBBS ST PED BRIDGE T00009	20.205	25658 30000632	144,2
Passed through TSD			
O9 Photo Radar in Work Zones	20.205	070908WKZN-421 ZZZ	4.8
		The table	4,0
Passed through WSDOT	00.005	00000500 017///	
Columbia RIVER Crossing EIS Phases 2 and 3	20.205	30000582 CITY#52978	70,3 <sup>.</sup>
Columbia Triver Crossing Elo I hases 2 and 0			

ederal Grantor/Pass-through Grantor and Program Title	Federal CFDA Number	ldentifying Number	Expenditures Year Ended 6/30/2009
Highway Training and Education Cluster			
Highway Planning and Education			
Passed through ODOT			
Bicycle Master Plan TGM	20.215	ODOT 24979 EA#TGM8LA05	84,034
Total Highway Planning and Education			84,034
Federal Transit Cluster			
Federal Transit-Capital Investment Grants			
Passed through Multnomah County	20 500	MIII TOO #4600006201	££ 70£
Sellwood Bridge Rehab NEPA T00056	20.500	MULTCO #4600006301	55,790
Passed through Trimet			
DOWNTOWN MALL LRT	20.500	GH070428TL	1,200,851
I-205 LIGHT RAIL	20.500	GH050284TL/AMEND#1	107,589
TRIMET JOB ACCESS REVERSE COMMUTE FUNDS	20.500	080231DG	30,776
Total Federal Transit-Capital Investment Grants		•	1,395,006
Federal Transit-Formula Grants			
Passed through Metro			
SO WATERFRONT TMA	20.507	52812	8,683
			0,000
Passed through TRIMET			
PORTLAND STREETCAR LOOP TRIMET FED# OR-9!	20.507	GH 080176TL	4,849,757
MILWAUKIE TO PORTLAND LRT T00138 and T00065	20.507	N/A	37,601
Total Federal Transit-Formula Grants			4,896,041
Fotal Federal Transit Cluster		•	6,291,047
Public Transportation Research			
Passed through TRIMET			
TRIMET PROTOTYPE STREETCAR	20.514	GH060317-TL	1,740,549
Total Public Transportation Research		•	1,740,549
Allacadica Acabada			
Alternative Analysis Passed through Metro			
STREETCAR CORRIDOR STUDY MTIP METRO	20.522	METRO C#927475 CITY #52731	4,437
Total Alternative Analysis	20.522	WETRO 0#92/4/3 0111 #32/31	4,437
Polymore Confede Charles			
lighway Safety Cluster State and Community Highway Safety			
Passed through ODOT			
CSTSP SAFE ROUTES TO SCHOOL T00041	20.600	HU-08-10-14	13,092
SAFE COMMUNITIES 11-10-08 TO 9-30-09	20.600	SA-09-25-05	66,698
Safe Communities 07/08	20.600	ODOT 23012	10,601
Total State and Community Highway Safety		•	90,391
Alachal Traffic Safety and Daugh Driving Provention Insenting Counts			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants Passed through Oregon Transportation Investment Act			
ODOT DUII Intensive Supervision Program 09	20.601	K8-09-12-17	15,220
Total Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant		-	15,220
Occupant Protection			
Occupant Protection  Passed through Washington Dept of Transportation			
OACP Safetybelt 08-09	20.602	K2-09-46-08	55,124
Total Occupant Protection	20.002	N2-03-40-08	55,124
· ·otal Highway Safety Cluster		-	160,735
Ainimum Popultion for Populat Offendors for Driving While Interviewed			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated Passed through OACP			
OACP DUII 08-09	20.608	K8-08-12-38	43,320
Fotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.000		43,320
The state of the s			40,020
tal U.S. Department of Transportation		-	10,876,634
		_	,

	Federal CFDA Number	ldentifying Number	Expenditures Year Ended 6/30/2009
U.S. Environmental Protection Agency			
Direct Programs			
National Clean Diesel Funding Assistance Program			
2.77 77001 00001 001100010110 21100110110 11000	66.039	DE-96084801-0	1,790
Total National Clean Diesel Funding Assistance Program			1,790
Congressionally Mandated Projects			
EPA Innovative Wet Weather Program	66.202	XP97045801-0	56,878
Total Congressionally Mandated Projects			56,878
Surveys, Studies, Investigations and Special Purpose Grants within	the Office of		
	66.510	X3-83220701-0	18,627
Total Surveys, Studies, Investigations and Special Purpose Grants of	within the Office of		18,627
Source Reduction Assistance			
Ecological Business Prog	66.717	X9-96045701	23,000
Total Source Reduction Assistance			23,000
Brownfields Assessment and Cleanup Cooperative Agreements			
Brownfield Haz Substances	66.818	BF-96024101	80,023
Brownfield Petroleum Cleanup	66.818	BF-96024001	113,575
BF/EPA/Rollin Tire	66.818	BF-96074501	5,067
	66.818	BF 96024102-0	44,221
Total Brownfields Pilot Cooperative Agreements			242,886
Total U.S. Environmental Protection Agency			343,181
U.S. Department. of Energy  Direct Programs:  Energy Efficiency & Renewable Energy Info. Dissemination, Training  USDOE/Solar Now  Total U.S. Department of Energy	g & Tech. Analysis/ 81.117	Assit. DE-FC36-07GO17064	134,724 · 134,724
U.S. Department of Education  Passed through Portland Public Schools  TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS  LANE MS 21ST CENTURY PROGRAM  Total U.S. Department of Education	84.287	IGA#56620	22,787 22,787

Federal Grantor/Pass-through Grantor and Program Title	Federal CFDA Number	ldentifying Number	Expenditures Year Ended 6/30/2009
U.S. Department of Homeland Security			
Direct Programs			
Assistance to Firefighters Grant 2006 DHS Assistance to Firefighters	97.044	EMW-2006-FG-12197	6,835
2006 AFG PREVENTION GRANT	97.044	EMW-2006-FP-01454	30,484
Total Assistance to Firefighters Grant	07.011	2	37,319
Passed through Oregon Emergency Management			
Homeland Security cluster			
Urban Areas Security Initiative			
UASI 05	97.008	05-071	(108
UASI 06	97.008	06-071	4,059,183
UASI 07	97.008	07-071	2,060,028
UASI 08	97.008	08-071	3,926
Total Urban Area Security Initiative (Homeland Security cluste	er)		6,123,029
Citizen Corp	07.050	20.442	
Citizen Corp Program 06 Total Citizen Corp	97.053	06-113	975 975
Metropolitan Medical Response System			
MMRS 06/07	97.071	066-081	19,731
Metropolitan Medical Response System 2008	97.071	08-181	111,520
Total Metropolitan Medical Response System	37.071	00-101	131,251
State Homeland Security Program (SHSP)			
SHSP 06/TOPOFF	97.073	06-235	111,799
Total State Homeland Security Program (SHSP)			111,799
Total Homeland Security cluster			6,367,054
Disaster Grants - Public Assistance (Presidentially Declared Dis	asters)		
FEMA Winter Storm 08	97.036	FEMA-DR-1824-OR	1,431
BES (RISK MGMT) E05516	97.036	FEMA-DR-1824-OR	75,000
FEMA Winter Storm 08	97.036	FEMA-DR-1824-OR	122,139
FEMA Winter Storm 08	97.036	FEMA-DR-1824-OR	67,844
FEMA Winter Storm 08	97.036	FEMA-DR-1824-OR	622,727
FEMA Winter Storm 08	97.036	FEMA-DR-1824-OR	197,948
Total Disaster Grants - Public Assistance (Presidentially Declare	ed Disasters)		1,087,089
Emergency Management Performance Grants			
Emergency Mgmt 07/08	97.042	WORKPLAN 07/08	142,373
EMPG 06/07	97.042	TOPOFF 4/SHSP05	(2,059)
Total Emergency Management Performance Grants			140,314
Pre-Disaster Mitigation Direct Programs			
Conduit Trestles-FEMA PDM W00935	97.047	EMS-2005-PC-0004	341,189
Passed through Oregon Emergency Management	2211		541,103
FEMA PDM Wildfire	97.047	52628	293,465
FEMA Lents Floodplain E07384	97.047	PDM EMS-2005 PC-004	226,903
Total Pre-Disaster Mitigation			861,557
Passed through Oregon Emergency Management			
Law Enforcement Terrorism Prevention Program (LETPP)			
LETPP 06/TOPOFF	97.074	06-176	156,365
Total Law Enforcement Terrorism Prevention Program (LETPP)			156,365
Total U.S. Department of Homeland Security			8,649,698
Total Federal Expenditures			\$ 39,888,799

#### **NOTE 1 - ACCOUNTING POLICIES**

General - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Portland, Oregon. The City's financial reporting entity is described in note I.A to the City's basic financial statements. Financial assistance received directly from federal agencies as well as financial assistance passed through other government agencies is included in the accompanying 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 I.C to the City's basic financial statements.

**Relationship to basic financial statements** - Financial assistance revenues are reported in the City's basic financial statements included with revenues from federal and state sources, as described in note I.C to the City's basic financial statements.

#### **NOTE 2 - LOAN BALANCES**

The City of Portland has outstanding loan receivable balances, considered major federal financial assistance programs, which were created by grants from the U.S. Department of Commerce.

The Industrial Sites Loan Program has an outstanding loan balance of \$1,161,473, and no undisbursed loan commitments, at June 30, 2009. During the fiscal year ending June 30, 2009, program income, consisting primarily of investment interest and interest earned on loans, was \$69,441. Costs associated with the administration of this grant were \$64,332.

The Revolving Loan Program has an outstanding loan balance of \$836,329, and no undisbursed loan commitments, at June 30, 2009. During the fiscal year ending June 30, 2009, program income, consisting primarily of investment interest and interest earned on loans, was \$43,838. Costs associated with the administration of this grant were \$62,258.

Section I - Summary of Au	ditor's Results
Financial Statements	
Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	yes no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	yes none reported
Noncompliance material to financial statements noted?	yesno
Federal awards	
Type of auditor's report issued on compliance for major pro	ograms: Unqualified
Internal control over major programs:	
Material weakness(es) identified?	yes <u>✓</u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	yes none reported
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	U.S. Department of Housing and Urban Development
14.239	HOME Investment Partnerships Program
14.900	Lead-Based Paint Hazard Control
	U.S. Department of Justice
16.737	Gang Resistance Education and Training
16.738	Edward Byrne Memorial Justice Assistance Grant
	U.S. Department of Transportation
	Federal Transit Cluster
20.500	Federal Transit – Capital Investment Grants
20.507	Federal Transit – Formula Grants
20.514	Public Transportation Research
Dollar threshold used to distingui	ish
between type A and type B prog	grams: \$1,196,664
Auditos qualified as low riels and	litas?
Auditee qualified as low-risk aud	intee? yes no

#### **Section II - Financial Statement Findings**

## FINDING 2009-1 Significant deficiency in controls over the accounting and reporting of the City's pollution remediation liabilities

Criteria: Governmental Accounting Standards Board (GASB) No. 49 was implemented by the City during the year ended June 30, 2009. This new standard provides the accounting and disclosure requirements for pollution remediation activities including when a liability is required to be recognized and the methodology for calculating the amount to be recorded. The liability amount is to be based on the sum of the probability-weighted product of the different possible cash outflows. Further, projects are split into phases under the standard including the preliminary environmental study phase, remediation phase, and post-remediation monitoring phase. Only the phases to the project for which reasonable estimates of costs for different remediation outflows exist are required to be included in the calculation.

**Condition:** We determined that the City did not correctly use the probability-weighted calculation methodology for the Portland Harbor project requiring recognition in its financial statements under the standard. The City is assisting with the preliminary costs of studying the Portland Harbor as disclosed in the notes to the City's financial statements. As a result, and with management's understanding of its

commitments on future outflows to fund this study, the liability recorded was \$3.8 million less than what would have been recorded had the correct calculation methodology been applied.

Context: The project noted above will require substantially more in future outflows to remediate the pollution in the Portland Harbor, and this project is still in the environmental study phase. The costs to be included at this point are only those attributable to the City's commitment to assist with the funding of the study. The actual remediation costs are not known, neither is it known at this time all the potentially responsible parties that will be required to fund the actual remediation costs. Therefore, the issue noted above results only in a timing issue of when expenses and liabilities are to be recognized under the standard for just the portion of the City's commitment to fund the preliminary study.

*Effect*: The financial statements for the year ended June 30, 2009 understate expenses and liabilities by \$3.8 million.

**Recommendation:** We recommend that the City establish procedures that require more frequent communication between employees responsible for its various pollution remediation projects, and those responsible for accounting and reporting including discussions of commitments and estimates of future outflows. In addition, we recommend that the City provide additional education to those employees responsible for determining the accounting and reporting requirements for projects with the requirements of this standard.

#### Views of responsible management (unaudited):

The City will revisit the probability weighted calculation method for calculating liability and will close the gap to book full probability-weighted liability for Portland Harbor in FY 2010.

The City will enhance the property acquisition procedure with a required check list to ensure timely identification of pollution remediation projects and will consider other recommendations for future business practices.

## FINDING 2009-02 - Significant deficiency in internal control over financial reporting for not recording expenditures in accordance with GAAP

**Condition:** During our testing of a federal program we noted that \$4,403,195 of revenues and expenditures was accrued and recognized in the wrong reporting period. A review of the supporting documentation for the accrual revealed that the correct timing was subsequent to year-end.

See Finding 2009-05 for details regarding the finding including the criteria, context, cause and effect, recommendation and the views of management.

#### Section III - Federal Award Findings and Questioned Costs

FINDING 2009-3 Subrecipient Monitoring – Significant Deficiency in Internal Controls and Instance of Noncompliance

Federal Program: HOME Investment Partnership program, CFDA #14.239

Federal Agency: U.S. Department of Housing and Urban Development

Award Year: 2008-2009

Criteria: Per OMB Circular A-133, Section 400(d) outlines the responsibilities of recipients of Federal awards regarding funds passed-through to other organizations. Specifically, the pass-through entity is to: (1) monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contract or grant agreements and that performance goals are achieved; and (2) ensure that subrecipients, as qualified, meet the audit requirements of Circular A-133, and to review subrecipient audit findings and corrective action. In addition, the Portland Housing Bureau (PHB) has subrecipient monitoring policies and procedures that require a risk assessment and desk review to be performed at least annually and the appropriate checklist is required to be completed at the time the review and assessment are performed.

Condition: The City receives the A-133 reports from entities that are required to provide them. However, the process to ensure that a responsible person is reviewing the results of the audit reports for any issues or deficiencies was not occurring in the fiscal year 2009. Additionally, no A-133 reports had been requested during fiscal year 2009. As such, the City is not aware of subrecipient audit findings and results of any required corrective action(s) for the most recent audits applicable to their subrecipients. Further, it was noted that one of the City's subrecipients did have multiple audit findings in their 2007 A-133 audit. The findings were related to the particular grant funds that the City was providing to the subrecipient and there was no evidence that the City reviewed the finding and came to some sort of conclusion about the finding.

Finally, during our testing of subrecipient monitoring, we examined 10 subrecipient files and noted that PHB had not performed a risk assessment for one subrecipient and three subrecipients had not received either a desk or on-site review for over a year. PHB has a process in place, through internal policy and a compliance manager, to ensure that federal requirements are being met. However, PHB did not follow their own internal policy that each subrecipient receive an annual risk assessment or desk review. The breakdown in internal control led to noncompliance with subrecipient monitoring.

**Questioned Costs:** Unknown

Context: PHB has had findings over inadequate monitoring over subrecipients in the past and this appears to be an ongoing issue. The HOME program was tested as a major program in 2003 and during that testing we found that PHB was not performing adequate monitoring over subrecipients. During our follow up in 2004, PHB had corrected the finding and performed the necessary risk assessment or desk reviews. HOME was not tested as a major program in 2005. The HOME program was tested again in 2006 and during that testing we found that PHB was not performing adequate monitoring over subrecipients. During our follow up in 2007, PHB had corrected the finding and performed the necessary risk assessment or desk reviews. HOME was not tested as a major program in 2008.

Cause: PHB did not follow their own internal policy for annual risk assessments and reviews. In addition, the absence of a thorough and complete process for monitoring subrecipients appears to be due to personnel changes in key positions.

*Effect*: The OMB Circular A-133 requirement for sufficient subrecipient monitoring is not being met. Without sufficient monitoring, funds passed through to the subrecipients may not have been used in compliance with program provisions or could be inappropriate for the services performed.

**Recommendation:** PHB should be reviewing sub-recipient audit reports and requesting them timely. We recommend that PHB review their current policies to ensure appropriate monitoring activities are outlined in the policy. Additionally, we recommend that the City enforce compliance with these policies and procedures and ensure that all subrecipients are adequately monitored.

#### Views of responsible management (unaudited):

PHB agrees with the recommendation and has begun implementing it as of this writing. A review of policies and procedures by senior leadership of the organization is in process, as is clarification of requirements and training for all staff engaged in subrecipient contracts. Substantially increased accountability for compliance will be in place under new PHB leadership that should serve to minimize opportunities for challenges in this area going forward.

## FINDING 2009-04 - Reporting: Timeliness of Report Filing - Significant Deficiency in Internal Control and Instances of Noncompliance

Federal Program: HOME Investment Partnership program, CFDA #14.239

Federal Agency: U.S. Department of Housing and Urban Development

Award Year: 2008-2009

Criteria: Per Title 24 CFR Section 135.90 Reporting; a recipient of Section 3 covered assistance shall submit one copy of the HUD 60002 Section 3 Summary Report to HUD Headquarters, Office of Fair Housing and Equal Opportunity. Where the program providing assistance requires an annual performance report, this Section 3 report is to be submitted at the same time the program performance report is submitted. Where an annual performance report is not required, this Section 3 report is to be submitted by January 10 and, if the project ends before December 31, within 10 days of project completion.

**Condition:** The HUD 60002, Section 3 Summary Report was not filed for fiscal year 2008 or 2009. The City did not have procedures in place to ensure timely reporting of the required report.

Questioned Costs: None

**Context:** From a sample of financial reports filed with Federal awarding agency, two out of three reports were not filed. No extensions for the reporting due dates were requested from the Federal awarding agency. Filing requirements are indicated either as a general requirement by the Federal awarding agency or specifically in the grant award document.

Cause: The absence of a thorough and complete process for preparing timely financial reports appears to be due to personnel changes in key positions.

Effect: Required reporting requirements by the federal agency are not being met.

**Recommendation:** Moss Adams recommends the Portland Housing Bureau assign completion of the HUD 60002, Section 3 Summary Report to a responsible individual. In addition, we recommend developing internal controls that will ensure these reports are completed and that appropriate review and approval occurs.

#### Views of responsible management (unaudited):

PHB agrees with the recommendation and has assigned a qualified staff person responsibility for completion of the report. In addition, greater clarity about accountability for performance of all compliance tasks, including regular reports to the Director, will be instituted during the current fiscal year.

FINDING 2009-05 – Allowable Costs: Not Recording Expenditures in accordance with GAAP – Significant Deficiency in Internal Control and Instances of Noncompliance

Federal Program: HOME Investment Partnership program, CFDA #14.239

Federal Agency: U.S. Department of Housing and Urban Development

Award Year: 2008-2009

Criteria: Per OMB Circular A 87, "Cost Principles for State, Local, and Indian Tribal Governments" in CFR Title 2 Appendix A to Part 225.C.1; The basic guidelines affecting allowability of costs to be allowable under Federal awards, costs must meet the following general criteria. g) be determined in accordance with generally accepted accounting principles (GAAP).

The City's Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is the same basis as the City's basic financial statements.

The City was not properly recognizing revenue, expenses, the associated accounts receivable or accounts payable in accordance with GAAP. See finding 2009-02 for reporting the significant deficiency in controls over financial reporting.

**Condition:** During our testing of allowable costs we noted that the supporting documentation for \$4,403,195 of Home loan funds was accrued and recognized in the wrong reporting period.

Questioned Costs: None

Context: The City recorded \$4,403,195 of grant expenditures, revenue, accounts receivable and accounts payable in June 2009 for the Home program. However, the loan agreement, cash disbursement, and City Council approval did not occur until July 2009 (FY 2010). The transactions were deemed to not be recorded in compliance with GAAP. The activity and transactions are allowable per the scope of the program. Transactions were subsequently corrected by the City and recorded in the correct period for financial statement and federal reporting purposes.

Cause: There appeared to be a misunderstanding of proper cut-off for when the transaction was to be recognized.

*Effect:* The financial statements and Schedule of Expenditures of Federal Awards would have overstated fiscal year 2009 grant revenues and expenditures had the correction not been made by the City.

**Recommendation:** Moss Adams recommends that the City strengthen controls for proper recording of transactions near reporting cut-off. The improved controls might include training to the individuals recording transactions near cut-off.

#### Views of responsible management (unaudited):

PHB agrees with the recommendation and has strengthened controls for proper recording of transactions, especially those near the reporting cut-off. Enhanced training has already taken place, and additional training for fiscal and program staff is scheduled. The underlying business process problem that created the condition related both to staff training and staff resource shortages. Organizational changes and new management in place in the current fiscal year have all served to mitigate risk of this problem arising in the future.

FINDING 2009-06 – Allowable Costs: Expenditures Lacking Adequate Support – Significant Deficiency in Internal Control and Instances of Noncompliance

Federal Program: Federal Transit Cluster, CFDA #20.500

Federal Agency: U.S. Department of Transportation, passed through Tri-County Metropolitan Transportation District of Oregon

Award Year: 2008-2009

Criteria: Per OMB Circular A 87, "Cost Principles for State, Local, and Indian Tribal Governments" in CFR Title 2 Appendix A to Part 225 subpart C (Basic Guidelines), section 1, Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria: b. Be allocable to Federal awards under the provisions of 2 CFR part 225 (see below) and per Appendix A subpart C.1.j; be adequately documented.

Per CFR Title 2 Appendix A to Part 225 subpart C, section 3 (Allocable Costs) a. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

Additionally, Per CFR Title 2 Appendix A to Part 225 subpart E (Direct Costs) 1. General. Direct costs are those that can be identified specifically with a particular final cost objective. 2. Application. Typical direct costs chargeable to Federal awards are: b. Cost of materials acquired, consumed, or expended specifically for the purpose of those awards.

**Condition:** During our testing of allowable costs for the Federal Transit cluster it was noted that two transactions totaling \$157,000 could not be completely substantiated.

**Questioned Costs:** None - as the City subsequently reversed the unsubstantiated expenditures off of the grant and the SEFA has been reconciled to only include substantiated costs.

Context: Two projects for the local light rail include a watershed revegetation program. A division of the Portland Bureau of Environmental Services performs this scope of the work. The costs for these two projects included an estimate of costs which were to be incurred over a two year period for \$157,000. These costs were charged to the grant in fiscal year 2009 and subsequently reported on the SEFA. Billing of the grantor for reimbursement had not yet occurred at the time of audit. The expenditures were based on estimates and only \$42,951 could be substantiated with actual incurred, allocable and allowable costs. The remainder had not been incurred or obligated as of June 30, 2009 and was considered questionable. The City subsequently reversed the \$114,049 of unsubstantiated expenditures off of the grant and therefore will not bill the grantor for these unsubstantiated costs. Additionally, the SEFA has been reconciled to only include allowable costs.

*Cause:* Inadequate review procedures of supporting documentation for initial posting of the transaction to the grant award. Additionally, untimely response to requests for additional supporting documentation for grant billing.

Effect: Unallowed expenditures recorded to a federal grant. The City subsequently reversed the unallowed expenditures off of the grant and the SEFA was reconciled to only include allowable costs.

**Recommendation:** Moss Adams recommends that the City strengthen controls requiring adequate supporting documentation for transactions posted to federal grant awards. Additionally, we recommend the City enforce policies requiring bureau responses to request for additional supporting documentation for grant billings.

#### Views of responsible management (unaudited):

We agree with Moss Adams recommendations of strengthening controls in order to ensure billings are based on actual expenses and allocable to the grant.

#### Corrective action to include:

- Project Manager responsible for the Grant will communicate in writing the nature of the grant and
  the cost eligibility requirements for the specific grant with the Program Managers who provides a
  service to the Grant. This communication shall be a part of the Interagency Agreement if applicable.
  A copy of this agreement should be sent to the Grants Office, Bureau Grants Analysis and Bureau
  Grants Accountant.
- Reemphasize to project managers to review, sign and date transactions posted to federal grants, ensuring costs are grant eligible this includes journal entries made into SAP which prompt costs hitting the grant and can be substantiated on the billings to federal grants.
- Supply adequate back-up documentation for billings to federal grants billings should not be brought up to the grants office before each cost can be substantiated.
- Responses to the grants office in a timely manner for additional supporting documentation for billings.