

**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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\* 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	Identifying Number	Expenditures Year Ended 6/30/2009
<b><u>U.S. Department. of Commerce</u></b>			
Passed through LCREP			
Habitat Conservation			
LCREP Lower Willamette River	11.463	22-2006	\$ 25,360
LCREP Lower Willamette River	11.463	22-2006	2,716
NOAA FA/Stephen's Creek	11.463	FAF-8037	43,200
<b>Total U.S. Department. Of Commerce</b>			<b>71,276</b>
<b><u>U.S. Department. of Housing and Urban Development</u></b>			
Community Development Block Grant/Entitlements (Entitlement and Small Cities cluster)			
Direct Programs:			
CDBG 07	14.218	B-07-MC-41-0003	8,748,155
CDBG 08	14.218	B-08-MC-41-0003	1,563,689
Passed through City of Gresham			
Gresham CDBG 08/09	14.218	N/A	15,639
Passed through Multnomah County			
Mult Co CDBG 08/09	14.218	MC4600007373	5,766
<b>Total Community Development Block Grant/Entitlements</b>			<b>10,333,249</b>
Direct Programs:			
Emergency Shelter Grants Program			
Emergency Shelter 07	14.231	S07-MC-41-0001	90,453
Emergency Shelter 08	14.231	S08-MC-41-0001	354,965
<b>Total Emergency Shelter Grants Program</b>			<b>445,418</b>
Direct Programs:			
Supportive Housing Program			
McKinney OTIS 08-09	14.235	OR16B701021	262,959
Homeless Management Information System 08-09	14.235	OR16B701024	201,707
HMIS 2009-10	14.235	OR0025B0E010801	47,600
<b>Total Supportive Housing Program</b>			<b>512,266</b>
Direct Programs:			
Home Investment Partnerships Program			
HOME 04	14.239	MC-04-DC-41-0203	393,732
HOME 05	14.239	MC-05-DC-41-0203	8,640
HOME 07	14.239	MC-07-DC-41-0203	3,610,216
<b>Total Home Investment Partnerships Program</b>			<b>4,012,588</b>
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
<b>Total Housing Opportunities for Persons with AIDS</b>			<b>1,045,063</b>
Direct Programs:			
Community Development Block Grants/Brownfields Economic Development Initiative			
HUD PORTLAND PUBLIC MARKET	14.246	B-04-SP0OR0626	61,000
Streetcar Eastside HUD 04 T00014	14.246	B-04-SP0OR-0632	(19,372)
Streetcar Lowell Ext HUD T00071	14.246	B-05-SP-OR-0231	496,000
Streetcar HUD Eastside T00014	14.246	B-05-SP-OR-0924	(14,434)
<b>Total Community Development Block Grants/Brownfields Economic Development Initiative</b>			<b>523,194</b>
Direct Programs:			
Economic Development Initiative-Special Projects, Neighborhood initiatives			
WASHINGTON MONROE EDI SPEC PRJ GRANT	14.251	B-08-SP-OR-0554	35,873
<b>Total Economic Development Initiative-Special Projects, Neighborhood Initiatives</b>			<b>35,873</b>
Direct Programs			
Lead Based Paint Hazard Control in Privately-Owned Housing			
Lead Based Paint 06	14.900	ORLHB0337-06	1,308,764
<b>Total Lead Based Paint Hazard Control in Privately-Owned Housing</b>			<b>1,308,764</b>
<b>Total U.S. Department of Housing and Urban Development</b>			<b>18,216,415</b>

See accompanying notes.

**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	Identifying Number	Expenditures Year Ended 6/30/2009
<b><u>U.S. Department of Interior</u></b>			
Direct Programs			
North American Wetlands Conservation Fund			
USFWS NAWCA Oaks Bottom 07	15.623	OR-N71B	8,390
Total North American Wetlands Conservation Fund			<u>8,390</u>
Passed through US Fish and Wildlife			
Sportfishing and Boating Safety Act			
Riverplace Trans Tie-up	15.622	OSMB #1320	26,206
			<u>26,206</u>
Passed through NPS			
Historic Preservation Fund Grants-In-Aid			
SHPO FY 07/08	15.904	OR-07-18	2,375
SHPO FY 08/09	15.904	OR-07-18	11,300
Total Historic Preservation Fund Grants-In-Aid			<u>13,675</u>
Outdoor Recreation Acquisition, Development and Planning			
EAST DELTA PARK STRASSER FIELD REHABILITATI	15.916	NPS 41-01568, OP2503	24,501
			<u>24,501</u>
<b>Total U.S. Department of the Interior</b>			<u><u>72,772</u></u>
<b><u>U.S. Department of Justice</u></b>			
Direct Programs			
National Institute of Justice Research			
Cold Case DNA	16.560	2008-DN-BX-K414	60,468
Total National Institute of Justice Research			<u>60,468</u>
Crime Victims Assistance			
VOCA 08	16.575	08-3157	29,460
Total Crime Victims Assistance			<u>29,460</u>
Edward Byrne Memorial State & Local Law Enforcement Assistance			
2008 Smart/Adam Walsh Act-includes car capital exp (F	16.580	2008-DD-BX-0019	172,931
Marijuana Eradication 2009	16.580	LOA#2009-100	16,444
Total Edward Byrne Memorial State & Local Law Enforcement Assistance			<u>189,375</u>
Grants to Encourage Arrest Policies and Enforcement of Protection Orders			
DVERT 06	16.590	2006-WE-AX-0057	16,931
Total Grants to Encourage Arrest Policies and Enforcement of Protection Orders			<u>16,931</u>
Community Capacity Development Office			
HIDTA 2007	16.595	I7PORP501Z	791
HIDTA 2008-Interdiction/DVD	16.595	I8PORP502Z	51,000
HIDTA 08 Gangs/TOD	16.595	I8PORP502	55,000
HIDTA 09 Interdiction/DVD	16.595	2009-HIDTA INTERDICTION	8,253
Total Community Capacity Development Office			<u>115,044</u>
Bulletproof Vest Partnership Program			
Bulletproof Vest 05	16.607	Unknown	8,407
Bulletproof Vest 08	16.607	08-XT3A-2	21,536
Total Bulletproof Vest Partnership Program			<u>29,943</u>
Public Safety Partnership and Community Policing Grants			
COPS Integrity	16.710	2002HSWX0026	20,340
COPS More 98	16.710	98CLWX0183	288,181
COPS Meth 06	16.710	2006-CKWX0500	2,678
Total Public Safety Partnership and Community Policity Grants			<u>311,199</u>
Gang Resistance Education and Training			
Great Local 08	16.737	2008-JV-FX-0062	150,000
Great Regional 2008	16.737	2008-DD-BX-0520	165,226
Total Gang Resistance Education and Training			<u>315,226</u>

See accompanying notes.

**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	Identifying Number	Expenditures Year Ended 6/30/2009
Edward Byrne Memorial Justice Assistance Grant Program			
JAG 06	16.738	2006-DJ-BX-0381	196,758
JAG 07	16.738	2007-DJ-BX-0887	80,272
JAG 08	16.738	2008 DJ BX-0283	88,515
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>365,545</u>
Paul Coveardell Forensic Sciences Improvement Grant Program			
Coverdell Forensic Science Improvement Grant	16.742	2008-CD-BX-0077	49,721
Total Paul Coveardell Forensic Sciences Improvement Grant Program			<u>49,721</u>
Passed through Multnomah County District Attorney Office			
Community Prosecution and Project Safe Neighborhoods			
PSN AGI 07 Firearms	16.609	MC# 460006908	18,400
Total Community Prosecution and Project Safe Neighborhoods			<u>18,400</u>
<b>Total U.S. Department of Justice</b>			<u><b>1,501,312</b></u>
<b><u>U.S. Department of Transportation</u></b>			
Highway Planning and Construction Cluster			
Highway Planning and Construction			
Passed through Oregon Dept of Transportation			
I-405 MARQUAM BRIDGE TO FREMONT BRIDGE T00	20.205	ODOT 25308 IGA#52582	2,209
SAFE ROUTES TO SCHOOL AGREEMENT #21,492 T	20.205	ODOT 23935	6,006
Union Station Restoration Phase 2	20.205	24432	68,425
WAUD Bluff Trail P10226	20.205	ODOT AGR#22/KEY#14273	8,729
Columbia Slough Trail P10224	20.205	ODOT #24517/KEY#15208	4,606
ODOT Work Zone 07	20.205	070908WKZN-421 FFF	131,473
EPA SmartWay Technology Outreach Center/ ODOE Di	20.205	25.012 / 21.492	195,715
92nd Holgate/Powell IMPS LENTS T00087	20.205	22474	213,806
East Max Station TGM	20.205	ODOT 24637 EA#TGM8LA-54	83,531
NE 122 & Lombard Haz Elim T00061	20.205	ODOT 23012	(22,527)
N Going St Bridget Rehab-OTIA T00025	20.205	C#23352 KEY 13991	121,080
N Leadbetter Extention Oxing T00026	20.205	ODOT #23368 Key 13990	136,663
HAWTHORNE 20-55TH SE T00010	20.205	N/A	(109,255)
GATEWAY:102ND AVE T00008 TTG/ PRJ 37482 T00	20.205	N/A	251,668
TTG - NW 23rd - ODOT Key # 12478 T00050	20.205	N/A	81,404
TTG-ODOT PROJ 37448 HEP LINNTON, NW T00074	20.205	52284	13,895
TTG-ODOT PRJ 37321 GATEWAY:102ND AVE T0000	20.205	N/A	215,256
KERBY N I-405 T00075	20.205	N/A	235
TTG-ODOT PROJ 37489 NAITO PKWY:DAVIS - MARK	20.205	N/A	(4,051)
TTG- PROJ 37588 BURNSIDE: BURNSIDE BR - 14TH	20.205	N/A	299,295
SANDY/BURNSIDE 33RD HEP T00103	20.205	N/A	12,576
COLUMBIA RIVER CROSSING	20.205	GCA-4842	1,952
Lombard: Col Sl O-XING T00027	20.205	24540	47,292
MLK VIADUCT T00054 (TR000033 duplicate record clo	20.205	ODOT# 733 CITY CONTRACT	41,049
NE Cully Blvd: NE Prescott to NE Killingsworth Key 135C	20.205	13506	367,698
N IVANHOE N RICHMOND (ST JOHNS) T00018	20.205	KEY 13514	55,351
82ND AVE COL INTERSECTION T00119 SF	20.205	N/A	8,333
Passed through DLCD			
CENTRAL EASTSIDE STREET PLAN TGM	20.205	25192	57,543
Sandy @ 57th HEP T00062	20.205	12150	23,296
N Burgard Rd Over ABAN RR T00051	20.205	08686	1,185
SE Foster Rd Over Johnson Creek T00053	20.205	11086	729
Passed through Metro			
COL/MLK BLVD T00024	20.205	ODOT#23910/METRO#927449	17,983
GIBBS ST PED BRIDGE T00009	20.205	25658 30000632	144,202
Passed through TSD			
O9 Photo Radar in Work Zones	20.205	070908WKZN-421 ZZZ	4,846
Passed through WSDOT			
Columbia RIVER Crossing EIS Phases 2 and 3	20.205	30000582 CITY#52978	<u>70,314</u>
<b>Total Highway Planning and Construction Cluster</b>			<u><b>2,552,512</b></u>

See accompanying notes.

Federal Grantor/Pass-through Grantor and Program Title	Federal CFDA Number	Identifying 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			<u>84,034</u>
Federal Transit Cluster			
Federal Transit-Capital Investment Grants			
Passed through Multnomah County			
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			<u>1,395,006</u>
Federal Transit-Formula Grants			
Passed through Metro			
SO WATERFRONT TMA	20.507	52812	8,683
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			<u>4,896,041</u>
Total Federal Transit Cluster			<u>6,291,047</u>
Public Transportation Research			
Passed through TRIMET			
TRIMET PROTOTYPE STREETCAR	20.514	GH060317-TL	1,740,549
Total Public Transportation Research			<u>1,740,549</u>
Alternative Analysis			
Passed through Metro			
STREETCAR CORRIDOR STUDY MTIP METRO	20.522	METRO C#927475 CITY #52731	4,437
Total Alternative Analysis			<u>4,437</u>
Highway 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			<u>90,391</u>
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 Grants			<u>15,220</u>
Occupant Protection			
Passed through Washington Dept of Transportation			
OACP Safetybelt 08-09	20.602	K2-09-46-08	55,124
Total Occupant Protection			<u>55,124</u>
Total Highway Safety Cluster			<u>160,735</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated			
Passed through OACP			
OACP DUII 08-09	20.608	K8-08-12-38	43,320
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>43,320</u>
<b>Total U.S. Department of Transportation</b>			<u><b>10,876,634</b></u>

Federal Grantor/Pass-through Grantor and Program Title	Federal CFDA Number	Identifying Number	Expenditures Year Ended 6/30/2009
<b><u>U.S. Environmental Protection Agency</u></b>			
Direct Programs			
National Clean Diesel Funding Assistance Program			
EPA - West Coast Collaborative Diesel Emissions Redu	66.039	DE-96084801-0	1,790
Total National Clean Diesel Funding Assistance Program			<u>1,790</u>
Congressionally Mandated Projects			
EPA Innovative Wet Weather Program	66.202	XP97045801-0	56,878
Total Congressionally Mandated Projects			<u>56,878</u>
Surveys, Studies, Investigations and Special Purpose Grants within the Office of			
EPA Stormwater	66.510	X3-83220701-0	18,627
Total Surveys, Studies, Investigations and Special Purpose Grants within the Office of			<u>18,627</u>
Source Reduction Assistance			
Ecological Business Prog	66.717	X9-96045701	23,000
Total Source Reduction Assistance			<u>23,000</u>
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
BROWNFIELD HAZARDOUS MATERIALS	66.818	BF 96024102-0	44,221
Total Brownfields Pilot Cooperative Agreements			<u>242,886</u>
<b>Total U.S. Environmental Protection Agency</b>			<b><u>343,181</u></b>
<b><u>U.S. Department of Energy</u></b>			
Direct Programs:			
Energy Efficiency & Renewable Energy Info. Dissemination, Training & Tech. Analysis/Assit.			
USDOE/Solar Now	81.117	DE-FC36-07GO17064	134,724
<b>Total U.S. Department of Energy</b>			<b><u>134,724</u></b>
<b><u>U.S. Department of Education</u></b>			
Passed through Portland Public Schools			
TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS			
LANE MS 21ST CENTURY PROGRAM	84.287	IGA#56620	22,787
<b>Total U.S. Department of Education</b>			<b><u>22,787</u></b>

Federal Grantor/Pass-through Grantor and Program Title	Federal CFDA Number	Identifying Number	Expenditures Year Ended 6/30/2009
<b>U.S. Department of Homeland Security</b>			
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			<u>37,319</u>
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 cluster)			<u>6,123,029</u>
Citizen Corp			
Citizen Corp Program 06	97.053	06-113	975
Total Citizen Corp			<u>975</u>
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			<u>131,251</u>
State Homeland Security Program (SHSP)			
SHSP 06/TOPOFF	97.073	06-235	111,799
Total State Homeland Security Program (SHSP)			<u>111,799</u>
Total Homeland Security cluster			<u>6,367,054</u>
Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
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 Declared Disasters)			<u>1,087,089</u>
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			<u>140,314</u>
Pre-Disaster Mitigation			
Direct Programs			
Conduit Trestles-FEMA PDM W00935	97.047	EMS-2005-PC-0004	341,189
Passed through Oregon Emergency Management			
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			<u>861,557</u>
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)			<u>156,365</u>
<b>Total U.S. Department of Homeland Security</b>			<u><u>8,649,698</u></u>
<b>Total Federal Expenditures</b>			<u><u>\$ 39,888,799</u></u>



**CITY OF PORTLAND, OREGON**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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**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.

**CITY OF PORTLAND, OREGON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

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**Section I - Summary of Auditor's Results**

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*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?                     yes         no

*Federal awards*

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

Internal control over major programs:

Material weakness(es) identified?                     yes         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

**CITY OF PORTLAND, OREGON  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2009**

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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.239	U.S. Department of Housing and Urban Development HOME Investment Partnerships Program
14.900	Lead-Based Paint Hazard Control
16.737	U.S. Department of Justice Gang Resistance Education and Training
16.738	Edward Byrne Memorial Justice Assistance Grant
20.500	U.S. Department of Transportation Federal Transit Cluster Federal Transit – Capital Investment Grants
20.507	Federal Transit – Formula Grants
20.514	Public Transportation Research

Dollar threshold used to distinguish  
 between type A and type B programs: \$1,196,664

Auditee qualified as low-risk auditee?  yes  no

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**Section II - Financial Statement Findings**

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**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

**CITY OF PORTLAND, OREGON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

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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.

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

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**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

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**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.

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**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.

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**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.



**CITY OF PORTLAND, OREGON  
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***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.

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**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.