

CITY OF BEAVERTON

Beaverton, Oregon

Schedule of Expenditures of Federal Awards
And Related Reports

Year Ended June 30, 2015



ACHIEVE MORE

CITY OF BEAVERTON
Beaverton, Oregon

Schedule of Expenditures of Federal Awards
And Related Reports

Year Ended June 30, 2015

CITY OF BEAVERTON

Beaverton, Oregon

CONTENTS

	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance, and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	8
Corrective Action Plan for Current Year Audit Findings	10



**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Beaverton
Beaverton, Oregon

**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
& Consultants

ACHIEVE MORE

4800 Meadows Road, Suite 200
Lake Oswego, Oregon 97035-4293

P 503.274.2849
F 503.274.2853

www.tkw.com

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beaverton, Oregon (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 10, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Talbot, Korwola & Warwick LLP

Lake Oswego, Oregon
December 10, 2015



Talbot, Korvola
& Warwick, LLP

Certified Public Accountants
& Consultants

ACHIEVE MORE

4800 Meadows Road, Suite 200
Lake Oswego, Oregon 97035-4293

P 503.274.2849
F 503.274.2853

www.tkw.com

**REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL
OVER COMPLIANCE, AND REPORT ON SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Beaverton
Beaverton, Oregon

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the City of Beaverton, Oregon's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL
OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133 (Continued)**

INDEPENDENT AUDITOR'S REPORT (Continued)

OTHER MATTERS

The results of our auditing procedures disclosed an instance of noncompliance, 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 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001, that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response

**REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL
OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133 (Continued)**

INDEPENDENT AUDITOR'S REPORT (Continued)

was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB
CIRCULAR A-133**

We have audited the financial statements of the City as of and for the year ended June 30, 2015, and have issued our report thereon dated December 10, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Talbot, Kowala & Warwick LLP

Lake Oswego, Oregon
December 10, 2015

CITY OF BEAVERTON, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor/Program Title	Federal CFDA Number	Pass-through Number	Expenditures
U.S. Department of Housing and Urban Development:			
Community Development Block Grants, Entitlement Grants	14.218	Direct	\$ 811,972
Community Challenge Grant	14.704	Direct	<u>325,665</u>
Total U.S. Department of Housing and Urban Development			<u>1,137,637</u>
U.S. Health and Human Service:			
Centers for Disease Control/Prevention Community Transformation Grant	93.737	Direct	<u>231,064</u>
Total U.S. Health and Human Service			<u>231,064</u>
U.S. Department of Homeland Security:			
Passed through Oregon Office of Homeland Security: State Homeland Security Program	97.073	13-202, 203/14-202, 203	28,734
Passed through Oregon Department of State Police: Emergency Management Performance Grants	97.042	N/A	<u>178,389</u>
Total U.S. Department of Homeland Security			<u>207,123</u>
U.S. Environmental Protection Agency:			
Brownfields Assessment Grant	66.818	Direct	<u>77,262</u>
Total U.S. Environmental Protection Agency			<u>77,262</u>
U.S. Department of Justice:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Direct	30,938
Bulletproof Vest Partnership Program	16.607	Direct	<u>13,014</u>
Total U.S. Department of Justice			<u>43,952</u>
U.S. Executive Office of the President:			
Passed through Washington County: High Intensity Drug Trafficking Areas	95.001	N/A	<u>49,773</u>
Total U.S. Executive Office of the President			<u>49,773</u>
U.S. Department of Transportation:			
Passed through Oregon Department of Transportation: ODOT DUII Court	20.608	164AL-12-14-02	120,567
ODOT Truck Inspection Reimbursement	20.218	IGA No. 28364	<u>16,074</u>

CITY OF BEAVERTON, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Number</u>	<u>Expenditures</u>
U.S. Department of Transportation (continued):			
Highway Safety Cluster:			
Pedestrian Safety / Safety Belt Grant	20.600	N/A	34,725
ODOT DUII	20.601	N/A	19,150
ODOT DUII HVE	20.616	N/A	45,433
Total Highway Safety Cluster			<u>99,308</u>
Total U.S. Department of Transportation			<u>235,949</u>
Total Federal Financial Assistance			<u>\$ 1,982,760</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES:

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

NOTE B - PROVIDED TO SUBRECIPIENTS:

Approximately \$675,600 of CDBG - Entitlement Grants Cluster was provided to subrecipients.

NOTE C - LOAN PROGRAM:

CDBG Section 108 Loan Guarantees \$445,000

N/A - Not available

CITY OF BEAVERTON, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	No
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weakness(es)	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of <i>Circular A-133</i>	Yes

Identification of major programs:

CFDA NUMBER(S)	NAME OF FEDERAL PROGRAM OR CLUSTER
14.218	Community Development Block Grants, Entitlement
20.608	DUII Court Grant

Dollar threshold used to distinguish between type A and B programs	\$300,000
Auditee qualified as low-risk auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

CITY OF BEAVERTON, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

SECTION III – FEDERAL AWARD FINDINGS

Finding 2015-001

Federal Program: Community Development Block Grants, Entitlement Grants Cluster (CFDA 14.218)

Federal Agencies: Department of Housing and Urban Development

Award Year: 2014-2015

Criteria: The A-102 Common Rule and OMB Circular A-133 require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Under provisions of OMB Circular A-133 and the 2015 compliance supplement, the City is required to verify subrecipient eligibility, verify that the subrecipient has a current and valid SAM registration if receiving ARRA funds, communicate pertinent grant award details to subrecipients, and perform necessary procedures to monitor the subrecipients and ensure that program funds are being used in accordance with the grant agreement.

Condition: The City was unable to provide evidence of ongoing monitoring of subrecipient operations.

Context: From a population of ten subrecipients, three subrecipients were selected for testing, and three lacked evidence of ongoing monitoring procedures.

Questioned Costs: There are no questioned costs identified at this time as the City was able to provide evidence that other due diligence procedures were performed to ensure grant funds are used in accordance with the grant agreement.

Effect: Lack of sufficient documentation in support of effective internal controls could result in noncompliance occurring at the subrecipient level. The City may be unaware of subrecipients' misuse of funds or noncompliance with the grant agreement. If it were determined that funds were spent improperly, the Grantor could require the City to return such funds.

Cause: The CDBG Coordinator position was vacant during the spring of 2015. The failure to procure/retain documentation of ongoing monitoring procedures appears to be a result of the vacancy of the position.

Recommendation: We recommend that the City develop and implement policies and procedures to ensure that ongoing subrecipient monitoring is conducted to ensure compliance with the grant program.

Views of responsible officials: The City understands and concurs with this finding. The City has drafted a formal subrecipient monitoring policy to document its policies and procedures for subrecipient monitoring.

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None reported.



CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2015

FINDING 2015-001

Federal Programs: CFDA 14.218 Community Development Block Grants

Corrective action plan: The City's CDBG Coordinator position was vacant in the spring of 2015 during which subrecipient monitoring typically takes place. The CDBG Coordinator position has been filled in May of 2015, and since then the City has drafted and adopted a formal subrecipient monitoring policy to ensure the timely monitoring is performed.