

***MARION COUNTY, OREGON
FEDERAL GRANT COMPLIANCE REPORT
Year Ended June 30, 2014***

MARION COUNTY, OREGON, FEDERAL GRANT COMPLIANCE REPORT
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INDEPENDENT AUDITOR'S 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

Board of Commissioners
Marion County
Salem, Oregon

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 Marion County, Oregon (the County), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 16, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County'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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 County'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 County'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS

March 16, 2015



GROVE, MUELLER & SWANK, P.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Commissioners
Marion County
Salem, Oregon

Report on Compliance for Each Major Federal Program

We have audited Marion County, Oregon's (the County) 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 County's major federal programs for the year ended June 30, 2014. The County'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 County'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 County'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 County's compliance.

Opinion on Each Major Federal Program

In our opinion, Marion County, Oregon 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, 2014.

Report on Internal Control over Compliance

Management of the County 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 County'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 County'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 16, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 basic 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 basic 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 basic financial statements or to the basic 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of this Report

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.



CERTIFIED PUBLIC ACCOUNTANTS

March 16, 2015

MARION COUNTY, OREGON, FEDERAL GRANT COMPLIANCE REPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

	Federal CFDA Number	Pass Through Organization	Pass Through ID	Expenditures	ARRA
<u>DEPARTMENT OF AGRICULTURE</u>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	Oregon Department of Education	unknown	\$ 32,149	
National School Lunch Program	10.555	Oregon Department of Education	unknown	53,693	
National School Lunch Program (non-cash assistance)	10.555	Oregon Department of Education	unknown	14,672	
				<u>100,514</u>	
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Oregon Health Authority	280559/280664	1,537,674	
Forest Service Schools and Roads Cluster:					
Schools and Roads - Grants to States	10.665	Oregon Department of Administrative Services	AGR665	1,543,199	
Total Department of Agriculture				<u>3,181,387</u>	
<u>DEPARTMENT OF THE INTERIOR</u>					
Distribution of Receipts to State and Local Governments	15.227	Oregon Department of Administrative Services	BLM227	29	
Secure Rural Schools and Community Self-Determination:					
Title I - Secure Payments	15.UNK	Direct	n/a	459,184	
Title II - Special Projects	15.234	Direct	n/a	43,217	
Title III - County Projects	15.UNK	Direct	n/a	52,575	
				<u>554,976</u>	
Total Department of the Interior				<u>555,005</u>	
<u>DEPARTMENT OF JUSTICE</u>					
Juvenile Accountability Block Grants	16.523	Oregon Department of Education	various	23,742	
Crime Victim Assistance	16.575	Oregon Department of Justice	VOCA-2012	135,980	
Drug Court Discretionary Grant Program	16.585	Direct	n/a	99,795	
Violence Against Women Formula Grants	16.588	Oregon Department of Justice	VAWA-2013	53,509	
State Criminal Alien Assistance Program	16.606	Direct	n/a	128,173	
Public Safety Partnership and Community Policing Grants	16.710	Direct	n/a	86,924	
PREA Program: Demonstration Projects to Establish Zero Tolerance Cultures for Sexual Assault in Correctional Facilities	16.735	Direct	n/a	71,166	

See notes to schedule of expenditures of federal awards.

MARION COUNTY, OREGON, FEDERAL GRANT COMPLIANCE REPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2014

	Federal CFDA Number	Pass Through Organization	Pass Through ID	Expenditures	ARRA
DEPARTMENT OF JUSTICE (Continued)					
JAG Program Cluster:					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	City of Salem	various	\$ 13,117	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Oregon Criminal Justice Commission	various	264,839	
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program - Grants to States and Territories	16.803	Oregon Criminal Justice Commission	DC024F-13	9,416	Y
				<u>287,372</u>	
Criminal and Juvenile Justice and Mental Health Collaboration	16.745	Direct	n/a	81,013	
Second Chance Act Prisoner Reentry Initiative	16.812	Direct	n/a	368,251	
Total Department of Justice				<u>1,335,925</u>	
DEPARTMENT OF TRANSPORTATION					
Highway Planning and Construction Cluster:					
Highway Planning and Construction	20.205	Direct	n/a	2,332	
Highway Planning and Construction	20.205	Oregon Department of Transportation	various	1,784,009	
				<u>1,786,341</u>	
National Motor Carrier Safety	20.218	Oregon Department of Transportation	28995/29705	29,791	
Highway Safety Cluster:					
State and Community Highway Safety	20.600	Oregon State Sheriffs' Association	unknown	1,542	
State and Community Highway Safety	20.600	Oregon Department of Transportation	various	14,941	
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	Oregon State Sheriffs' Association	unknown	9,385	
Safety Belt Performance Grants	20.609	Oregon State Sheriffs' Association	unknown	3,461	
State Traffic Safety Information System Improvement Grants	20.610	Oregon Department of Transportation	K9-13-54-03	182,270	
				<u>211,599</u>	
National Priority Safety Programs	20.616	Oregon State Sheriffs' Association	unknown	12,028	
Total Department of Transportation				<u>2,039,759</u>	
GENERAL SERVICES ADMINISTRATION					
Donation of Federal Surplus Personal Property	39.003	Oregon Department of Administrative Services	unknown	2,283	
Total General Services Administration				<u>2,283</u>	

See notes to schedule of expenditures of federal awards.

MARION COUNTY, OREGON, FEDERAL GRANT COMPLIANCE REPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2014

	Federal CFDA Number	Pass Through Organization	Pass Through ID	Expenditures	ARRA
<u>ENVIRONMENTAL PROTECTION AGENCY</u>					
State Public Water System Supervision	66.432	Oregon Health Authority	280557	\$ 35,400	
Drinking Water State Revolving Fund Cluster:					
Capitalization Grants for Drinking Water	66.468	Oregon Health Authority	280655	31,835	
Total Environmental Protection Agency				<u>67,235</u>	
<u>ELECTION ASSISTANCE COMMISSION</u>					
Help America Vote Act Requirements Payments	90.401	Oregon Secretary of State	unknown	9,882	
Total Election Assistance Commission				<u>9,882</u>	
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>					
Medical Reserve Corps Small Grant Program	93.008	National Assoc County City Health Officials	MRC14-1575	3,500	
Public Health Emergency Preparedness	93.069	Oregon Health Authority	280619	150,689	
Affordable Care Act Personal Responsibility Education Program	93.092	Oregon Health Authority	280529	57,086	
Project Grants and Cooperative Agreements for					
Tuberculosis Control Programs	93.116	Oregon Health Authority	280549	13,074	
Family Planning Services	93.217	Oregon Health Authority	280558	153,957	
Occupational Safety and Health Program	93.262	Oregon Health & Science University	AHPSM0020MARI	10,746	
Immunization Cooperative Agreements	93.268	Oregon Health Authority	280540	3,700	
Promoting Safe and Stable Families	93.556	Oregon Department of Education	9754	42,703	
Child Support Enforcement	93.563	Oregon Department of Justice	unknown	906,909	
Low-Income Home Energy Assistance	93.568	Mid-Willamette Valley Community Action Agency	unknown	4,400	
CCDF Cluster - Child Care and Development Block Grant	93.575	Oregon Employment Department	14-061	11,216	
Social Services Block Grant	93.667	Oregon Department of Education	9899	283,150	
Medicaid Cluster:					
Medical Assistance Program	93.778	Oregon Department of Education	9754	26,792	
Medical Assistance Program	93.778	Oregon Health Authority	100100	18,851	
				<u>45,643</u>	
National Bioterrorism Hospital Preparedness Program	93.889	Oregon Health Authority	280609	16,218	
HIV Prevention Activities - Health Department Based	93.940	Oregon Health Authority	280501	53,896	
Block Grants for Community Mental Health Services	93.958	Oregon Health Authority	112001	383,477	
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Oregon Health Authority	135001	1,172,960	

See notes to schedule of expenditures of federal awards.

MARION COUNTY, OREGON, FEDERAL GRANT COMPLIANCE REPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2014

	Federal CFDA Number	Pass Through Organization	Pass Through ID	Expenditures	ARRA
DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)					
Maternal and Child Health Services Block Grant to the States	93.994	Oregon Health Authority	180514	\$ 191,897	
Maternal and Child Health Services Block Grant to the States	93.994	Oregon Health & Science University	4B04MC06604-01-04	135,500	
				<u>327,397</u>	
Total Department of Health and Human Services				<u>3,640,721</u>	
DEPARTMENT OF HOMELAND SECURITY					
Boating Safety Financial Assistance	97.012	Oregon State Marine Board	unknown	54,258	
Emergency Management Performance Grants	97.042	Oregon Military Department	12-525/13-524	159,311	
State Homeland Security Program	97.073	Oregon Military Department	various	121,481	
Total Department of Homeland Security				<u>335,050</u>	
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 11,167,247</u>	

See notes to schedule of expenditures of federal awards.

MARION COUNTY, OREGON, FEDERAL GRANT COMPLIANCE REPORT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

PURPOSE OF THE SCHEDULE

The accompanying schedule of expenditures of federal awards (SEFA) is a supplementary schedule to Marion County, Oregon's basic financial statements and is presented for purposes of additional analysis. Because the SEFA presents only a selected portion of the activities of the County, it is not intended to and does not present the financial position or changes in net position of the County, or the revenues, expenditures or changes in fund balances of its operating funds.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The information in the SEFA is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Federal Financial Assistance

Pursuant to the Single Audit Act Amendment of 1996 and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the SEFA, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the County and the federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Major Programs

The Single Audit Act Amendment of 1996 and OMB Circular A-133 establish criteria to be used in defining major federal financial assistance programs. Major programs for the County are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in OMB Circular A-133. Programs with similar requirements may be grouped into a cluster for testing purposes.

Reporting Entity

The reporting entity is fully described in the notes to the basic financial statements. This SEFA includes all federal programs administered by the County for the year ended June 30, 2014.

Revenue and Expenditure Recognition

The receipt and expenditure of federal awards are accounted for under the modified accrual basis of accounting. Revenues are recorded as received in cash or on the accrual basis when measurable and available. Expenditures are recorded when the liability is incurred.

PAYMENTS TO SUBRECIPIENTS

Program expenditures reported in the SEFA include amounts provided to subrecipients as follows:

CFDA #	Program Name	Amount
16.523	Juvenile Accountability Block Grants	\$ 13,081
93.556	Promoting Safe and Stable Families	42,703
93.667	Social Services Block Grant	279,235
93.778	Medicaid Cluster: Medical Assistance Program	25,942
93.959	Block Grants for Prevention and Treatment of Substance Abuse	285,773

MARION COUNTY, OREGON, FEDERAL GRANT COMPLIANCE REPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control reporting:	
· Material weakness(es) identified?	No
· Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
· Material weakness(es) identified?	No
· Significant deficiency(ies) identified?	None reported
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 Circular A-133?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
16.812	Second Chance Act Prisoner Reentry Initiative
20.205	Highway Planning and Construction Cluster
97.042	Emergency Management Performance Grants
97.073	State Homeland Security Program

Dollar threshold used to distinguish between type A and type B programs:	\$335,017
Auditee qualifies as low-risk auditee?	Yes

FINANCIAL STATEMENT FINDINGS

None.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

MARION COUNTY, OREGON, FEDERAL GRANT COMPLIANCE REPORT
SUMMARY SCHEDULE OF PRIOR FINDINGS
YEAR ENDED JUNE 30, 2014

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

None.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2013-001 Subrecipient Monitoring (Significant Deficiency)

Department of Justice

Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program – CFDA #16.803

Department of Health and Human Services

Promoting Safe and Stable Families – CFDA #93.556

Social Services Block Grant – CFDA #93.667

Condition: The County was deficient in meeting the following requirement for monitoring subrecipients: Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipients' fiscal year have met the audit requirements of OMB Circular A-133. As of the beginning of audit fieldwork, the County had not obtained single audit reports from subrecipients for the current or preceding fiscal years, nor had the County obtained assurance from subrecipients that single audits were not required for those years.

Recommendation: We recommend that the County implement procedures to determine whether or not subrecipients were required to have single audits, and that copies of required single audit reports are received and evaluated on a timely basis.

Current Status: The County implemented new procedures and documentation to verify subrecipients' compliance with single audit requirements.