

**CITY OF BEAVERTON**

Beaverton, Oregon

Schedule of Expenditures of Federal Awards  
And Related Reports

Year Ended June 30, 2017



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**CITY OF BEAVERTON**  
Beaverton, Oregon

Schedule of Expenditures of Federal Awards  
And Related Reports

Year Ended June 30, 2017

**CITY OF BEAVERTON**  
Beaverton, Oregon

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**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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2017, 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 14, 2017.

**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 and therefore material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a material weakness (2017-001).

**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*.

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**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)**

**INDEPENDENT AUDITOR'S REPORT (Continued)**

**THE CITY'S RESPONSE TO FINDINGS**

The City's response to the finding identified in our audit is described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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.

*Tabbot, Kowala & Warwick LLP*

Lake Oswego, Oregon  
December 14, 2017



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**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 THE UNIFORM GUIDANCE**

**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 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, 2017. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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, 2017.

**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



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**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 THE UNIFORM GUIDANCE (Continued)**

**INDEPENDENT AUDITOR'S REPORT (Continued)**

**REPORT ON INTERNAL CONTROL OVER COMPLIANCE (Continued)**

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 Uniform Guidance, 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

We have audited the financial statements of the City as of and for the year ended June 30, 2017, and have issued our report thereon dated December 14, 2017, 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 the Uniform Guidance 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 14, 2017

**CITY OF BEAVERTON, OREGON**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2017**

Federal Grantor/Program Title	Federal CFDA Number	Pass-through Number	Passed Through to Subrecipients	Expenditures	Note
<b>U.S. Department of Housing and Urban Development:</b>					
CDBG - Entitlement Cluster:					
Community Development Block Grants, Entitlement	14.218	Direct	\$ 595,382	\$ 1,078,938	(1)
Total CDBG - Entitlement Cluster			<u>595,382</u>	<u>1,078,938</u>	
CDBG Section 108 Loan Guarantees	14.248	Direct	-	405,000	(2)
Total U.S. Department of Housing and Urban Development			<u>595,382</u>	<u>1,483,938</u>	
<b>U.S. Department of Justice:</b>					
Bulletproof Vest Partnership Program	16.607	Direct	-	8,250	
Community Oriented Policing Services (COPS)	16.710	Direct	-	31,250	
Body-Worn Camera Grant	16.738	Direct	-	150,000	
Edward Byrne Memorial Justice Assistance	16.738	Direct	-	25,396	
Total U.S. Department of Justice			<u>-</u>	<u>214,896</u>	
<b>U.S. Department of Transportation:</b>					
Highway Planning and Construction Cluster:					
Passed through Oregon Department of Transportation:					
Work Zone Enforcement	20.205	1517WKZN-421 JJJ	-	57,413	
FHWA Crescent Connection: Cedar Hills Blvd - Lombard	20.205	Agreement #28470	-	336,699	
Transportation Safety Action Plan Grant	20.205	RS-16-77-09	-	11,033	
Transportation Safety Action Plan Grant	20.205	RS-17-77-09	-	23,695	
Total Highway Planning and Construction Cluster			<u>-</u>	<u>428,840</u>	
Highway Safety Cluster:					
Passed through Oregon Impact:					
Oregon Impact Ped Safety Enforcement	20.600	SEF	-	5,000	
Passed through Oregon Department of Transportation:					
DUII No Refusal	20.616	M6X-17-12-02	-	6,870	
Safety Belt	20.616	N/A	-	28,263	
Total Highway Safety Cluster			<u>-</u>	<u>40,133</u>	
Passed through Oregon Impact:					
ODOT DUII HVE	20.608	164AL-16-14-36	-	99,583	
Passed through Oregon Department of Transportation:					
DUII Court	20.608	164AL-16-14-02	-	77,550	
Total U.S. Department of Transportation			<u>-</u>	<u>646,106</u>	
<b>General Services Administration:</b>					
Federal surplus property received	39.003	N/A	-	1,447	
Total General Services Administration			<u>-</u>	<u>1,447</u>	
<b>Institute of Museum and Library Services:</b>					
Passed through Washington County:					
Library Services and Technology Act Grant	45.310	N/A	-	39,432	
Total Institute of Museum and Library Services			<u>-</u>	<u>39,432</u>	
<b>U.S. Environmental Protection Agency:</b>					
Brownfields Assessment Grant	66.818	Direct	-	60,303	
Total U.S. Environmental Protection Agency			<u>-</u>	<u>60,303</u>	
<b>U.S. Department of Health and Human Service:</b>					
Substance Abuse and Mental Health Service Admin. (SAMHSA)	93.243	Direct	-	133,875	
Total U.S. Health and Human Service			<u>-</u>	<u>133,875</u>	



**CITY OF BEAVERTON, OREGON**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

**YEAR ENDED JUNE 30, 2017**

Federal Grantor/Program Title	Federal CFDA Number	Pass-through Number	Passed Through to Subrecipients	Expenditures	Note
<b>U.S. Department of Homeland Security:</b>					
Passed through Oregon Office of Emergency Management: Disaster Grants - Public Assistance	97.036	N/A	\$ -	\$ 34,149	
Passed through Oregon Dept of State Police: Emergency Management Performance Grants	97.042	N/A	-	96,556	
Passed through Oregon Office of Homeland Security: State Homeland Security Program:					
CERT	97.067	15-202	-	9,255	
CERT Disaster Exercise planning team meals	97.067	16-203	-	462	
<b>Total U.S. Department of Homeland Security</b>			-	<b>140,422</b>	
<b>Total Expenditures of Federal Awards</b>			<b>\$ 595,382</b>	<b>\$ 2,720,419</b>	

**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 - INDIRECT COST RATES:**

The City has elected to not use the 10 percent de minimis indirect cost rate.

(1) Program income of \$166,760 was applied towards expenditures (addition method).

(2) CDBG Section 108 loan guarantees was paid off in full as of June 30, 2017.

N/A - Information not available

CITY OF BEAVERTON, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

**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? Yes

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) No

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 Uniform Guidance No

Identification of major programs:

<b>CFDA NUMBER(S)</b>	<b>NAME OF FEDERAL PROGRAM OR CLUSTER</b>
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14.218	CDBG - Entitlement Cluster
14.248	CDBG Section 108 Loan Guarantees

Dollar threshold used to distinguish between type A and B programs \$750,000

Auditee qualified as low-risk auditee? Yes

**CITY OF BEAVERTON, OREGON**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

**YEAR ENDED JUNE 30, 2017**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding 2017-001**

**Criteria:** Revenue should be recognized in the proper period.

**Condition:** A material weakness in controls contributed to the City improperly recording contribution revenue and a debt reduction related to a loan agreement with the Oregon Infrastructure Authority (IFA) before all conditions for the loan forgiveness were met.

**Context:** During review of the debt agreement with the IFA as part of procedures over revenue and debt, it was noted that a portion of the loan was forgivable when certain criteria were met. During procedures over revenue, it was noted that the revenue, and the related reduction of debt, was prematurely recognized.

**Effect:** The City's contribution revenue and debt were misstated before the audit adjustment correcting the error.

**Cause:** This was the first fiscal year that the City withdrew funds related to the loan agreement with the IFA and there were misunderstandings of the terms of the loan agreement.

**Recommendation:** We recommend that the City develop and implement policies and procedures to ensure that all debt documents are adequately reviewed by staff responsible for financial reporting.

**Views of responsible officials:** The City understands and concurs with this finding.

**SECTION III – FEDERAL AWARD FINDINGS**

None reported.

**SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Finding 2016-001 (Repeat of finding 2015-001)**

**Audit Finding:** Uniform Guidance requires 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 Uniform Guidance and the 2016 compliance supplement, the City is required to perform necessary procedures to monitor the subrecipients and ensure that program funds are being used in accordance with the grant requirements. The City was unable to provide evidence of ongoing monitoring of subrecipient operations relating to Community Development Block Grants, Entitlement Grants Cluster (CFDA 14.218) for the three subrecipients selected from a population of ten subrecipients.

**Corrective Action Taken:** The City developed and implemented policies and procedures to ensure that ongoing subrecipient monitoring is conducted to ensure compliance with the grant program.

CITY OF BEAVERTON, OREGON

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2017

Finding 2017-001

Financial Statement

Findings:

Revenue recognized prematurely

Corrective action plan: Throughout the year, City's senior financial reporting staff will conduct quarterly recurring sessions to review and analyze City's debt agreements. Financial reporting staff then will determine the appropriate accounting treatment and communicate matters with Finance Director, Assistant Finance Director, and City's Independent auditors.