

PORTLAND COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2006

PORTLAND COMMUNITY COLLEGE

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4800 S.W. Macadam, Suite 400 • Portland, Oregon 97239-3973
503/274-2849 • Fax 503/274-2853

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

October 23, 2006

Board of Directors
Portland Community College
Portland, Oregon

We have audited the basic financial statements of Portland Community College (the College) as of and for the year ended June 30, 2006, and have issued our report thereon dated October 23, 2006. We conducted our audit 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters that we have reported to management of the College in a separate letter dated October 23, 2006.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the College's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance

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 (Continued)

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COMPLIANCE AND OTHER MATTERS (Continued)

with which could have a direct and material effect on the determination of basic 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*.

* * * * *

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Talbot, Konda & Worwick, LLP

Certified Public Accountants



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503/274-2849 • Fax 503/274-2853

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

October 23, 2006

Board of Directors
Portland Community College
Portland, Oregon

COMPLIANCE

We have audited the compliance of Portland Community College (the College), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The College's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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 College'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. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (Continued)

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INTERNAL CONTROL OVER COMPLIANCE

The management of the College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the basic financial statements of the College as of and for the year ended June 30, 2006, and have issued our report thereon dated October 23, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

* * * * *

This report is intended solely for the use and information of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Tellot, Konda & Warwick, LLP
Certified Public Accountants

PORTLAND COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

| Description | Federal CFDA Number | Pass Through Number | Total Expenditures |
|---|---------------------------|---------------------------|-----------------------|
| U.S. DEPARTMENT OF EDUCATION: | | | |
| Direct Programs: | | | |
| Federal Supplemental Educational Opportunity Grants | 84.007 | N/A | \$ 1,371,682 |
| Higher Education Institutional Aid - PORTALS | 84.031A | N/A | 333,158 |
| Federal Work-Study Program | 84.033 | N/A | 657,215 |
| Federal Perkins Loan Program - Federal Capital Contributions (Note B) | 84.038 | N/A | 1,990,117 |
| TRIO - Student Support Services | 84.042A | N/A | 222,331 |
| TRIO - Talent Search | 84.044A | N/A | 207,279 |
| TRIO - Upward Bound | 84.047A | N/A | 218,468 |
| Federal Pell Grant Program | 84.063 | N/A | 15,238,591 |
| Leveraging Educational Assistance Partnership | 84.069 | N/A | 2,862,090 |
| Business and International Education Projects - Going Global | 84.153A | N/A | 21,074 |
| Bilingual Education - Professional Development - REAP/PPOP | 84.195N | N/A | 447,972 |
| Special Education - Personnel Development to Improve Services and results for Children with Disabilities - HQ-SPED | 84.325K | N/A | 12,587 |
| Gaining Early Awareness and Readiness for Undergraduate Programs | 84.334 | N/A | 579,134 |
| Child Care Access Means Parents in School - CCAMPIS | 84.335A | N/A | 63,519 |
| Total Direct Programs | | | 24,225,217 |
| Passed Through State of Oregon Department of Community Colleges and Workforce Development: | | | |
| Adult Education - State Grant Program - Program Improvement | 84.002 | EE5617 PG | 12,950 |
| Adult Education - State Grant Program - Multnomah County Corrections | 84.002 | EE5617 CG | 40,800 |
| Adult Education - State Grant Program - TOPS Accountability | 84.002 | EE5617 AG | 54,000 |
| Adult Education - State Grant Program - Outreach Tutoring | 84.002 | EE5617 TG | 90,622 |
| Adult Education - State Grant Program - Comprehensive Services | 84.002 | EE5617 BG | 459,459 |
| Adult Education - State Grant Program - EI Civics | 84.002 | EE5617 EG | 89,489 |
| Adult Education - State Grant Program - Pilot Assessment | 84.002A | 6306 | 8,054 |
| Vocational Education - Basic Grants to States - PAVTEC | 84.048A | EE036778 | 10,000 |
| Vocational Education - Basic Grants to States - PAVTEC | 84.048A | EE036732 | 53,435 |
| Vocational Education - Basic Grants to States - Perkins Career Pathways | 84.048A | 3958 | 29,593 |
| Vocational Education - Basic Grants to States - Perkins | 84.048A | 3159 | 1,055,887 |
| Vocational Education - Basic Grants to States - Oregon Tradeswomen | 84.048A | EE25738 | 28,000 |
| Total Passed Through State of Oregon Department of Community Colleges and Workforce Development | | | 1,932,289 |
| Passed Through State of Oregon, Department of Education: | | | |
| Even Start - State Educational Agencies | 84.213 | 5036 | 148,134 |
| Even Start - State Educational Agencies - Family Literacy | 84.213 | 5035 | 124,910 |
| Tech-Prep Education | 84.243A | EE036292 | 308,970 |
| Total Passed Through State of Oregon, Department of Education | | | 582,014 |
| Passed Through Oregon Child Development Coalition: | | | |
| Early Reading First | 84.359A | 110906 | 26,057 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | 26,765,577 |

See notes to Schedule of Expenditures of Federal Awards.

PORTLAND COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2006

| Description | Federal CFDA Number | Pass Through Number | Total Expenditures |
|--|---------------------------|---------------------------|-----------------------|
| U.S. DEPARTMENT OF AGRICULTURE: | | | |
| Passed Through State of Oregon, Department of Human Services | | | |
| State Administrative Matching Grants for Food Stamps Program - Capital | 10.561 | 10062 | \$ 220,501 |
| Passed Through Mt. Hood Community College: | | | |
| State Administrative Matching Grants for Food Stamps Program - Metro | 10.561 | 0102-5 | 421,481 |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | 641,982 |
| U.S. DEPARTMENT OF TRANSPORTATION: | | | |
| Passed Through State of Oregon: | | | |
| Job Access-Reverse Commute - Tri-Met | 20.516 | 02-0827 | 30,430 |
| TOTAL U.S. DEPARTMENT OF TRANSPORTATION | | | 30,430 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES: | | | |
| Direct Program: | | | |
| Nursing Student Loans (Note B) | 93.364 | N/A | 281,284 |
| Head Start | 93.600 | N/A | 149,159 |
| Total Direct Programs | | | 430,443 |
| Passed Through State of Oregon, Department of Human Services: | | | |
| Temporary Assistance for Needy Families - STEPS to Success - Capital | 93.558 | 103182-2 | 1,532,075 |
| Passed Through Mt. Hood Community College: | | | |
| Temporary Assistance for Needy Families - STEPS to Success - Metro | 93.558 | 01-01 | 2,610,058 |
| Passed Through Oregon Health Sciences University: | | | |
| Ryan White HIV/AIDS Dental Reimbursement/ Community Based Dental Partnership | 93.924 | GPBHD0010AB | 2,550 |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | 4,575,126 |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT: | | | |
| Direct Program: | | | |
| Community Outreach Partnership Center Program | 14.511 | N/A | 75,053 |
| Passed Through Washington County: | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | 6344 | 23,234 |
| TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | 98,287 |

See notes to Schedule of Expenditures of Federal Awards.

PORTLAND COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2006

| Description | Federal CFDA Number | Pass Through Number | Total Expenditures |
|--|---------------------------|---------------------------|-----------------------|
| U.S. DEPARTMENT OF LABOR: | | | |
| Passed Through Worksystems, Inc: | | | |
| Workforce Investment Act - Adult Program - Capital One Stop | 17.258 | 03-70005 | \$ 886,647 |
| Workforce Investment Act - Adult Program - Metro One Stop | 17.258 | 04-70006 | 712,594 |
| | | | <u>1,599,241</u> |
| Workforce Investment Act - Dislocated Workers | 17.260 | 04-70300 | 4,840,302 |
| Total Passed Through Worksystems, Inc | | | <u>6,439,543</u> |
| Passed Through Southern Oregon Community College: | | | |
| Workforce Investment Act Dislocated Workers - Career Pathways | 17.260 | GRNT1015 | 37,783 |
| Passed Through Chemeketa Community College: | | | |
| WIA Pilots, Demonstrations, and Research Projects - OHWP | 17.261 | 53806 | 31,705 |
| Passed Through State of Oregon Department of Community Colleges and Workforce Development: | | | |
| Incentive Grants - Workforce Investment Act - Section 503 | 17.267 | GRNT1012 | 14,003 |
| Incentive Grants - Workforce Investment Act - Section 503 | 17.267 | 06312 | 12,143 |
| Total Passed Through State of Oregon Department of Community Colleges and Workforce Development | | | <u>26,146</u> |
| TOTAL U.S. DEPARTMENT OF LABOR | | | <u>6,535,177</u> |
| NATIONAL SCIENCE FOUNDATION: | | | |
| Direct Programs: | | | |
| Education and Human Resources - Plasma-Aided Mfg | 47.076 | N/A | 41,170 |
| Education and Human Resources - Women & Minorities in Adv Tech | 47.076 | N/A | 2,879 |
| Education and Human Resources - Framing Student Success | 47.076 | N/A | 193,340 |
| Education and Human Resources - CSEMS | 47.076 | N/A | 60,828 |
| TOTAL NATIONAL SCIENCE FOUNDATION | | | <u>298,217</u> |
| SMALL BUSINESS ADMINISTRATION: | | | |
| Passed Through Lane Community College: | | | |
| Small Business Development Center - SBDC | 59.037 | 00-152 | 51,199 |
| Small Business Development Center - SBITP | 59.037 | 00-154 | 21,360 |
| TOTAL SMALL BUSINESS ADMINISTRATION | | | <u>72,559</u> |
| CORPORATION FOR NATIONAL AND COMMUNITY SERVICE: | | | |
| Passed Through Oregon Campus Compact: | | | |
| Learn and Serve America - Higher Education - Civic Solutions | 94.005 | 03LHHOR001 | 7,324 |
| TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE | | | <u>7,324</u> |

See notes to Schedule of Expenditures of Federal Awards.

PORTLAND COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2006

| Description | Federal CFDA Number | Pass Through Number | Total Expenditures |
|---|---------------------------|---------------------------|-----------------------|
| OFFICE OF LIBRARY SERVICES, INSTITUTE OF MUSEUM AND LIBRARY SERVICES, NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES | | | |
| Direct Programs: | | | |
| Grants to States - Library Services and Technologies | 45,310 | 5-8-M1 | \$ 45,316 |
| TOTAL OFFICE OF LIBRARY SERVICES, INSTITUTE OF MUSEUM AND LIBRARY SERVICES, NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES | | | 45,316 |
| U.S. DEPARTMENT OF COMMERCE: | | | |
| Direct Programs: | | | |
| Public Telecommunications Facilities Planning and Construction | 11,550 | N/A | 48,222 |
| TOTAL U.S. DEPARTMENT OF COMMERCE | | | 48,222 |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | | | \$ 39,118,217 |

See notes to Schedule of Expenditures of Federal Awards.

PORTLAND COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Note A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Portland Community College and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B - LOANS RECEIVABLE

Portland Community College had the following loan balances outstanding at June 30, 2006. These loan programs are also included in the federal expenditures presented in the Schedule of Expenditures of Federal Awards.

| | Federal CFDA Number | Loans Receivable |
|---|---------------------------|---------------------|
| Gross loans receivable at June 30, 2006 including the institutional match, totaled: | | |
| Federal Perkins Loan Program-Federal Capital Contributions | 84.038 | \$ 8,189,507 |
| Federal Nursing Student Loans | 93.364 | 868,576 |
| | | \$ 9,058,083 |

Note C - LOANS DISBURSED

Total disbursements for student loans through individual lending institutions which are guaranteed in the event of default are listed below.

| | Federal CFDA Number | New Loans |
|---------------------------------|---------------------------|---------------|
| Federal Family Education Loans: | | |
| Federal Stafford Loans | 84.032 | \$ 31,040,325 |
| Federal PLUS Loans | 84.032 | 283,223 |
| | | \$ 31,323,548 |

Note D - SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Portland Community College provided federal awards to subrecipients as follows:

| Description | Federal CFDA Number | Expenditures |
|---|---------------------------|--------------|
| Workforce Investment Act - Dislocated Workers | 17.260 | \$ 1,286,050 |

PORTLAND COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements:

| | |
|---|---------------|
| Type of auditor's report issued: | Unqualified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Reportable condition(s) identified not considered to be material weakness(es) | None reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards:

| | |
|---|---------------|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Reportable condition(s) identified not considered to be material weakness(es) | None reported |
| Type of auditor's report issued on compliance for major programs | Unqualified |
| 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 No. 84.243A | Tech Prep Education |
| CFDA No. 84.069 | Leveraging Educational Assistance Partnership |

Financial Aid Cluster:

| | |
|-----------------|--|
| CFDA No. 84.007 | Federal Supplemental Educational Opportunity Grant Program |
| CFDA No. 84.032 | Federal Family Education Loans |
| CFDA No. 84.033 | Federal Work-Study Program |
| CFDA No. 84.038 | Federal Perkins Loans |
| CFDA No. 84.063 | Federal Pell Grant |
| CFDA No. 93.364 | Nursing Student Loans |

PORTLAND COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2006

SECTION I - SUMMARY OF AUDIT RESULTS (Continued)

| | |
|--|-------------|
| Dollar threshold used to distinguish between type A and B programs | \$1,173,547 |
| Auditee qualified as low-risk auditee? | Yes |

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 06-1

| | |
|-------------------|---|
| Federal Programs: | 17.260 Workforce Investment Act – Dislocated Workers |
| Federal Agency: | U.S. Department of Labor, passed through Worksystems, Inc. |
| Award Year: | 2005-06 |
| Criteria: | N/A |
| Condition: | Theft of monies and property. |
| Questioned Costs | Cash - \$18,573 Other - \$4,894 |
| Prevalence: | The College identified a theft of cash and bus tickets during routine monitoring of this program. The employee responsible was terminated and the College replaced the Federal funds from their General and Insurance Funds. |
| Recommendation: | We recommend that the College continue its monitoring of Federal programs and that they implement the recommendations presented in their internal control report previously provided to the U.S. Department of Labor's Office of Inspector General and Worksystems, Inc., which addressed this issue. |