



Department of County Management

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**MULTNOMAH COUNTY OREGON**

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Finance/ General Ledger

501 SE Hawthorne Blvd., Suite 531

Portland, Oregon 97214

**(503) 988-3312 Phone**

(503) 988-3292 Fax

[Http://www.co.multnomah.or.us/finance/](http://www.co.multnomah.or.us/finance/)

June 24, 2008

To: Mindy Harris, CFO

From: Colleen Yoshihara, Fiscal Compliance Unit

Re: Central City Concern Limited Scope Fiscal Compliance Site Review

Aaron Schwendiman and I performed a fiscal site visit at Central City Concern on June 11, 2008. Their previous site review was in August 2006, resulting in a score of "4" denoting full compliance with the fiscal terms of their Multnomah County contracts. The primary focus of the 2008 site visit was to review current financial information and related documents to assist in making an assessment on the organization's financial viability. In connection with the current year's site visit, the Fiscal Compliance Unit completed a risk assessment on the organization. Risk assessments assist the Fiscal Compliance Unit in determining the frequency and type of fiscal monitoring needed for each provider. The organization's risk assessment indicated "medium" risk, which will result in continued annual financial statement analysis and a fiscal site review within 2-3 years. Our fiscal review procedures and inquiry included the following areas:

- 1) Board of Director, Finance Committee, and Audit Committee meeting minutes from January 2008 forward
- 2) Management inquiry on fraud, organizational changes, turnover, etc.
- 3) Review of external auditor or regulatory reports, findings, comments or recommendations and prior Multnomah County fiscal site review comments and recommendations
- 4) Review budget to actual reports, inquire with management on variances
- 5) Cash accounts, petty cash, bank reconciliations
- 6) Check registers from January 2008 forward and accounts payable aging reports
- 7) Accounts receivable ledgers and AR agings and any allowance for uncollectible accounts
- 8) Credit card, procurement card, travel card activity
- 9) Debt, lines of credit, new loan or lease agreements entered into within the current fiscal year
- 10) Compensation, including all personnel and payroll files for the top 5 highly paid employees
- 11) Capital and operating leases
- 12) Current year capital asset activity and significant capital acquisitions
- 13) Client managed funds, if applicable
- 14) Professional service agreements and contracts

All procedures performed and areas discussed with management are related specifically to fiscal operations. The results of these procedures have been further documented in our workpapers. We did not perform any procedures, analysis, inquires or assessments related to programmatic operations.

Central City Concern is currently working with Multnomah County in assuming additional business in their existing operating areas. Assumption of additional business will depend, in part, on an increase in their federally approved indirect cost rate from 9% to approximately 12%. Without this increase the organization may begin to erode their already thin margins.

The organization is growing and has a very active Board of Directors with varied skills to guide this growth. In addition to the Board, the organization has both an Audit Committee and Finance Committee who both meet regularly. The longtime Executive Director retired in June but had a succession plan in place and has been replaced by a longtime manager.

In analyzing the last five year's financial statements, the organization's ratios are fairly consistent. According to David Altman, CFO, they are working to grow their operating reserve and extend their



month-to-month budgeting process to 24 months rather than just 12 months. Included in this budgeting change will be adjusting anticipated revenues and expense for seasonality rather than simply spreading over the year. This should assist management in guiding growth and managing cash flows. Multnomah County contracts represented approximately 33% of their total revenues for the fiscal year ended June 30, 2007. It is expected that the County will again represent approximately 33% of their total revenue in fiscal year 2008.

Fiscal Compliance will want to continue to monitor and review year-end audited financial statements. If Multnomah County begins to represent a larger portion of Central City Concern's revenue they may want to increase our monitoring efforts to include mid-year financial reporting.

The fiscal review discussed the prior year's management letter and found that the areas of comment and weakness were resolved. We did not discover any areas of weakness in internal controls or in recording of transactions.

Should you have any questions, please do not hesitate to contact me at (503) 988-3312, Ext. 22300 or via e-mail at [colleen.a.yoshihara@co.multnomah.or.us](mailto:colleen.a.yoshihara@co.multnomah.or.us)

cc: Karl Brimner, DCHS, Director, Mental Health and Addiction Services  
Kathy Tinkle, DCHS, Director, Business Services  
Ed Jones, DCHS, Finance Supervisor, Business Services  
Cara Fitzpatrick, DCM, Manager, General Ledger  
Kathleen Treb, DCJ, Program Manager  
Debra Newton, Health, Finance Supervisor