

CITY OF SALEM, OREGON
FEDERAL GRANT COMPLIANCE REPORT
Year Ended June 30, 2019

CITY OF SALEM, OREGON
FEDERAL GRANT COMPLIANCE REPORT
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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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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

Honorable Mayor and
Members of the City Council
City of Salem
555 Liberty Street SE
Salem, Oregon 97301

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 Salem, Oregon (the City), as of and for the year ended June 30, 2019, 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 19, 2019.

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 City'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 City’s financial statements are free of 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.


CERTIFIED PUBLIC ACCOUNTANTS
December 19, 2019



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and
Members of the City Council
City of Salem
555 Liberty Street SE
Salem, Oregon 97301

Report on Compliance for Each Major Federal Program

We have audited the City of Salem, Oregon's (the City's) 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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the 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 of Salem, 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, 2019.

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 the 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 may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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 City of Salem, Oregon, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 19, 2019, 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 the Uniform Guidance 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.

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


CERTIFIED PUBLIC ACCOUNTANTS
December 19, 2019

CITY OF SALEM, OREGON
FEDERAL GRANT COMPLIANCE REPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

<i>Federal Grantor/Pass Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Dept. or Pass Through Entity Identifying Number</i>	<i>Federal Expenditures</i>	<i>Amount Paid to Subrecipients</i>
Department of Housing and Urban Development				
Direct funding				
Community Planning and Development				
HOME Investment Partnerships Program	14.239	M-12-DC-41-0204	\$ 80	\$ 80
HOME Investment Partnerships Program	14.239	M-13-DC-41-0204	132,359	132,359
HOME Investment Partnerships Program	14.239	M-15-DC-41-0204	7,214	7,214
HOME Investment Partnerships Program	14.239	M-18-DC-41-0204	83,108	-
<i>Total Community Planning and Development</i>			<u>222,761</u>	<u>139,653</u>
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-41-0004	237,643	237,643
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-41-0004	186,272	186,272
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-41-0004	816,562	816,562
Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-41-0004	475,487	242,428
<i>Total CDBG - Entitlement Grants Cluster</i>			<u>1,715,964</u>	<u>1,482,905</u>
Total U.S. Department of Housing and Urban Development			<u>1,938,725</u>	<u>1,622,558</u>
Department of the Interior				
Direct funding				
National Park Service				
Certified Local Government Grant	15.904	OR-17-13	12,500	-
Historic Preservation Program Grant	15.904	HP-18-05	3,000	-
<i>Total Department of the Interior</i>			<u>15,500</u>	<u>-</u>
Department of Justice				
Direct funding				
Drug Enforcement Administration				
Law Enforcement Assistance-Narcotics & Dangerous Drugs Training				
Organized Crime Drug Enforcement Task Force:				
DEA Task Force Grant	16.004	unknown	46,634	-
DEA Task Force Grant-OCDETF Grant	16.004	PA-OR-0259	12,943	-
Passed through Oregon Criminal Justice Service Division:				
Office on Violence Against Women				
Violence Against Women Formula Grants	16.588	VAWA-C-2018-SalemPD-00012	103,167	-
Victims of Crime Act Grants	16.575	VOCA-OT-2016-SalemPD-00095	3,017	-
Direct funding				
Criminal Division				
Equitable Sharing Program	16.922	Various	50,423	-
<i>Total Department of Justice</i>			<u>216,184</u>	<u>-</u>

See notes to schedule of expenditures of federal awards.

CITY OF SALEM, OREGON
FEDERAL GRANT COMPLIANCE REPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2019

<i>Federal Grantor/Pass Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Dept. or Pass Through Entity Identifying Number</i>	<i>Federal Expenditures</i>	<i>Amount Paid to Subrecipients</i>
Department of Transportation				
Federal Aviation Administration				
Direct funding				
Airport Improvement Program	20.106	3-41-0055-021-2018	144,036	-
Airport Improvement Program	20.106	3-41-0055-021-2017	2,718,373	-
<i>Total Federal Aviation Administration</i>			<u>2,862,409</u>	<u>-</u>
Federal Highway Administration				
Passed through Oregon Department of Transportation:				
<i>Highway Planning and Construction Cluster:</i>				
12th St: (Hoyt to Fairview) Southbound Widening	20.205	30718/K17994	1,976,446	-
Brown Rd NE: San Francisco-Sunnyview, Sidewalks & Bike Lanes	20.205	30833/K19234	260,604	-
Salem Regional Traffic Signal Control Center	20.205	31840/K19229	260,827	-
Salem Industrial Drive NE Rail Crossing	20.205	32299/K21104	22,814	-
Commercial St: Oxford St SE - Winding Way SE	20.205	32428/K20169	51,545	-
Broadway St at Pine St	20.205	32433/K20204	91,301	-
Union St NE: Commercial St NE to 12th St NE	20.205	32443/K20737	17,992	-
McGilchrist St SE: 12th St SE to 25th St SE	20.205	32537/K20739	61,639	-
<i>Total Highway Planning and Construction Cluster</i>			<u>2,743,168</u>	<u>-</u>
National Highway Traffic Safety Administration				
<i>Highway Safety Cluster</i>				
Passed through Oregon Association of Chiefs of Police:				
State and Community Highway Safety				
Speed Equipment Grant	20.600	SC-18-35-12GGG	7,201	-
Pedestrian Safety Grant	20.600	unknown	3,052	-
Speed Equipment Grant	20.616	M8SE-19-35-12NNN	3,699	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated:				
DUII Enforcement-Oregon Impact Grant	20.608	164AL-19-14-36	15,239	-
National Priority Safety Programs:				
Drug Recognition Expert	20.616	Various	302	-
Safety Belt Enforcement	20.600	OP-18-45-03UUU	19,152	-
<i>Total Highway Safety Cluster</i>			<u>48,645</u>	<u>-</u>
Total Department of Transportation			<u>5,654,222</u>	<u>-</u>
Department of General Services Administration				
Passed through Oregon Department of Administrative Services:				
Donation of Federal Surplus Personal Property	39.003	unknown	5,962	-
Department of Environmental Protection Agency				
Direct funding				
Office of Solid Waste and Emergency Response				
Brownfields Assessment & Cleanup Cooperative Agreement	66.818	00J93401	53,934	-
Executive Office of the President				
Passed through Department of Public Safety Standards & Training:				
High Intensity Drug Trafficking Areas Program	95.001	unknown	6,464	-
Department of Homeland Security				
Passed through Oregon Emergency Management:				
Emergency Management Performance Grants	97.042	18-543	115,829	-
State Homeland Security Program				
Bomb Teams Equipment/Training Grant	97.067	17-234	15,209	-
Bomb Teams Equipment/Training Grant	97.067	18-250	5,760	-
SPD Mobile Command Vehicle	97.067	17-233	250,000	-
SPD Direct Link System	97.067	18-260	24,381	-
Total Department of Homeland Security			<u>411,179</u>	<u>-</u>
Total Federal Expenditures			<u>\$ 8,302,170</u>	<u>\$ 1,622,558</u>

See notes to schedule of expenditures of federal awards.

CITY OF SALEM, OREGON
FEDERAL GRANT COMPLIANCE REPORT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

PURPOSE OF THE SCHEDULE

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Salem, Oregon (the City) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments*, where applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

INDIRECT COST RATE

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

CITY OF SALEM, OREGON
FEDERAL GRANT COMPLIANCE REPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's opinion issued:	Unmodified
Internal control reporting:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major federal programs:

CFDA Numbers

Name of Federal Program or Cluster

14.218

CDBG – Entitlement Grants Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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FINANCIAL STATEMENT FINDINGS

None.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.