
CITY OF SALEM, OREGON

*Federal Grant Compliance Report
Year Ended June 30, 2025*

redw
Advisors & CPAs

City of Salem, 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

Honorable Mayor and Members of the City Council
City of Salem
Salem, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 22, 2026.

Report on 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) as a basis for designing 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 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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.

REDW LLC

Salem, Oregon
January 22, 2026

Independent Auditor's 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

Honorable Mayor and Members of the City Council
City of Salem
Salem, Oregon

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Salem, Oregon (the "City")'s compliance with the types of compliance requirements identified as subject to audit 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, 2025. 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.

In our opinion, the City of Salem, Oregon complied, in all material respects, with the 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, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2025-001. Our opinion on each major federal program is not modified with respect to these matters. *Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a 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. We consider the deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the 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 governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 22, 2026, 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.

REDW LLC

Salem, Oregon

February 10, 2026

City of Salem, Oregon
Federal Grant Compliance Report
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Assistance Listing Number	Federal Dept. or Pass Through Entity Identifying Number	Federal Expenditures	Amount Paid to Subrecipients
Department of Housing and Urban Development				
Direct Funding				
Community Planning and Development				
HOME Investment Partnerships Program	14.239	M-17-DC-41-0204	\$ 109,054	\$ 107,081
HOME Investment Partnerships Program	14.239	M-18-DC-41-0204	121,928	121,928
HOME Investment Partnerships Program	14.239	M-19-DC-41-0204	109,443	109,443
HOME Investment Partnerships Program	14.239	M-20-DC-41-0204	442,797	442,797
HOME Investment Partnerships Program	14.239	M-21-MP-41-0204	126,077	121,098
HOME Investment Partnerships Program	14.239	M-21-MP-41-0204	440,271	438,756
HOME Investment Partnerships Program	14.239	M-22-MC-41-0204	534,525	529,716
HOME Investment Partnerships Program	14.239	M-23-MC-41-0204	103,853	103,853
HOME Investment Partnerships Program	14.239	M-24-MC-41-0204	96,322	32,107
<i>Total Community Planning and Development</i>			2,084,270	2,006,779
<i>CDBG - Entitlement/Special Purpose Grants Cluster</i>				
Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-41-0004	3,987	3,987
Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-41-0004	99,818	99,818
Community Development Block Grants/Entitlement Grants	14.218	B-21-MC-41-0004	26,865	26,865
Community Development Block Grants/Entitlement Grants	14.218	B-22-MC-41-0004	595,564	584,748
Community Development Block Grants/Entitlement Grants	14.218	B-24-MC-41-0004	426,706	168,342
<i>Total CDBG - Entitlement/Special Purpose Grants Cluster</i>			1,152,940	883,760
Total Department of Housing and Urban Development			3,237,210	2,890,539
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	36,509	-
DEA Task Force Grant-OCDETF Grant	16.004	PA-OR-0300	5,678	-
Passed through Oregon Criminal Justice Service Division				
Office on Violence Against Women				
Violence Against Women Formula Grants	16.588	VAWA-C-2020-SalemPD-00022	109,730	-
Direct funding				
Edward Byrne Memorial Justice Assistance Grant Program				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017/2018/2019	152,833	-
Direct funding				
Criminal Division				
Equitable Sharing Program	16.922	Various	411,680	-
Total Department of Justice			716,430	-
Department of Transportation				
Federal Aviation Administration				
Direct funding				
Airport Improvement Program	20.106	Unknown	1,643	-
Airport Improvement Program	20.106	3-41-0055-029-2022	87,981	-
Airport Improvement Program	20.106	3-41-0055-030-2024	8,240	-
Total Federal Aviation Administration			97,864	-

See notes to the schedule of expenditures of federal awards.

City of Salem, Oregon
Federal Grant Compliance Report
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Assistance Listing Number	Federal Dept. or Pass Through Entity Identifying Number	Federal Expenditures	Amount Paid to Subrecipients
Federal Highway Administration				
Passed through Oregon Department of Transportation:				
<i>Highway Planning and Construction</i>				
Salem Regional Traffic Signal Center	20.205	31840/K19229	\$ 314,000	\$ -
Salem Industrial Drive Railroad Crossing Improvements	20.205	Unknown	44,343	-
Commercial St: Oxford St SE-Winding Way SE	20.205	32428/K20169	598,551	-
Hilfiker Ln-Commercial St Intersection Improvements	20.205	33020/K20738	812,027	-
River Rd: Shangri-La to Wheatland	20.205	33250/K20740	3,902	-
Pedestrian Safety Improved Crossings	20.205	29113/K21879	22,429	-
Commercial St SE: Vista to Ratcliff	20.205	34467/K21890	442,204	-
Orchard Hts NW: Snowbird to Westhaven	20.205	34466/K21883	144,228	-
McGilchrist St SE Corridor Improvements	20.205	Unknown	2,347,128	-
McGilchrist St SE: 12th St SE to 25th St SE	20.205	32537/K20739	1,574	-
McGilchrist St SE at 22nd Ave SE	20.205	34064/K21887	3,159,697	-
<i>Total Highway Planning and Construction</i>			<u>7,890,083</u>	<u>-</u>
National Highway Traffic Safety Administration				
Passed through Oregon Association of Chiefs of Police				
<i>Highway Safety Cluster</i>				
State and Community Highway Safety				
Speed Grant	20.600	Unknown	2,995	-
Occupant Protection	20.600	Unknown	8,516	-
<i>Total State and Community Highway Safety</i>			<u>11,511</u>	<u>-</u>
National Priority Safety Programs				
DUII Impaired Driving OT Enforcement	20.616	69A3752030000405DORM	5,461	-
<i>Total Highway Safety Cluster</i>			<u>16,972</u>	<u>-</u>
Direct funding				
Payments for Small Community Air Service Development	20.930	69A34521400170048	462,659	-
Total Department of Transportation			<u>8,467,578</u>	<u>-</u>
Department of General Services Administration				
Passed through Oregon Department of Administrative Services:				
Donation of Federal Surplus Personal Property	39.003	Unknown	59	-
Total Department of General Services Administration			<u>59</u>	<u>-</u>
Department of Energy				
Bonneville Power Administration				
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-SE0000968	70,634	-
Total Department of Energy			<u>70,634</u>	<u>-</u>
Department of Homeland Security				
Passed through Oregon Emergency Management				
Emergency Management Performance Grants	97.042	21-542	99,559	-
Total Department of Homeland Security			<u>99,559</u>	<u>-</u>
Total Federal Expenditures			<u>\$ 12,591,470</u>	<u>\$ 2,890,539</u>

See notes to the schedule of expenditures of federal awards.

City of Salem, Oregon
Federal Grant Compliance Report
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

1) 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, 2025. 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.

2) 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.

3) 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, 2025

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial 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 federal programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? Yes

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)? Yes

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant Cluster Entitlement/Special Purpose Program
14.239	HOME Investment Partnerships Program

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

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement Findings

None.

City of Salem, Oregon
Federal Grant Compliance Report
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2025

Section III – Federal Award Findings and Questioned Costs

2025-001 – Reporting – Significant Deficiency in Internal Controls over Compliance and Noncompliance

Criteria: The Federal Funding Accountability and Transparency Act (FFATA) and its implementing regulations at 2 CFR Part 170 require prime awardees to report first-tier (tier one) subawards that meet the reporting threshold in the FFATA Subaward Reporting System (FSRS). Specifically, 2 CFR 170.220(b) requires reporting of applicable first-tier subawards by the end of the month following the month in which the subaward is made (obligated) and to report any subsequent changes. In addition, 2 CFR 200.303 requires the prime awardee to establish and maintain effective internal control over federal award compliance.

Condition: During our review of the City’s FFATA reporting related to first-tier subawards, we noted the City did not report five (5) tier one subawards related to the Community Development Block Grants Cluster in FSRS in accordance with FFATA requirements. As of audit fieldwork, the required FFATA subaward reports for these five subawards had not been submitted:

Transactions tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
5	5	0	0	0
Dollar amount of tested transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$868,160	\$868,160	\$0	\$0	\$0

Cause: The City’s internal controls were not sufficient to ensure FFATA reporting requirements were consistently identified and timely performed. Specifically, the City did not have adequate documented procedures and monitoring controls to:

- identify all first-tier subawards subject to FFATA reporting,
- assign responsibility for FSRS reporting and secondary review, and
- track reporting deadlines to ensure timely submission.

Effect: The City was not in compliance with FFATA reporting requirements for five first-tier subawards. This reduces transparency of federal award spending and may subject the City to increased federal oversight and other administrative actions (e.g., additional monitoring or enforcement actions). No questioned costs were identified for this finding.

City of Salem, Oregon
Federal Grant Compliance Report
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Section III – Federal Award Findings and Questioned Costs – continued

2025-001 – Reporting – Significant Deficiency in Internal Controls over Compliance and Noncompliance – continued

Management's Response: The City concurs with the finding. The City will (1) submit the required FFATA subaward reports for the five unreported tier one subawards, (2) implement a formal FFATA compliance checklist to be completed at the time of subaward execution, (3) designate responsible personnel for FSRS reporting with a documented secondary review, and (4) provide training to applicable staff on FFATA reporting requirements and deadlines. The City expects these corrective actions to be implemented for all applicable subawards for awards effective July 1, 2025, and forward.



FINANCE DEPARTMENT

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City of Salem, Oregon
Federal Grant Compliance Report
Corrective Action Plan
Year Ended June 30, 2025

Audit Finding	Corrective Action Plan	Person Responsible and Estimated Completion Date
2025-001 – Reporting	The City will (1) submit the required FFATA subaward reports for the five unreported tier one subawards, (2) implement a formal FFATA compliance checklist to be completed at the time of subaward execution, (3) designate responsible personnel for FSRS reporting with a documented secondary review, and (4) provide training to applicable staff on FFATA reporting requirements and deadlines	Jeremy Morgan, Financial Reporting Manager June 30, 2026