

*CITY OF SALEM, OREGON  
FEDERAL GRANT COMPLIANCE REPORT  
Year Ended June 30, 2017*

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

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

### **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, 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 5, 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 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 5, 2017



## GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

### ***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, 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 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, 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 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 5, 2017, 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 5, 2017

**CITY OF SALEM, OREGON**  
**FEDERAL GRANT COMPLIANCE REPORT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2017**

<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>
<b>Department of Housing and Urban Development</b>				
Direct funding				
Community Planning and Development				
HOME Investment Partnerships Program	14.239	M-16-DC-41-0204	\$ 74,502.00	\$ 30,000.00
HOME Investment Partnerships Program	14.239	M-15-DC-41-0204	283,961	270,110
HOME Investment Partnerships Program	14.239	M-12-DC-41-0204	11,242	11,242
HOME Investment Partnerships Program	14.239	M-11-DC-41-0204	333,080	333,080
HOME Investment Partnerships Program	14.239	M-10-DC-41-0204	513,090	513,090
HOME Investment Partnerships Program	14.239	M-09-DC-41-0204	58,519	58,519
<i>Total Community Planning and Development</i>			<u>1,274,394</u>	<u>1,216,041</u>
Community Development Block Grant - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-41-0004	239,555	180,366
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-41-0004	146,706	146,706
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-41-0004	289,966	126,124
<i>Total Community Development Block Grant - Entitlement Grants Cluster</i>			<u>676,227</u>	<u>453,196</u>
Total U.S. Department of Housing and Urban Development			<u>1,950,621</u>	<u>1,669,237</u>
<b>Department of Justice</b>				
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	55,495	-
DEA Task Force Grant-OCDETF Grant	16.004	unknown	10,210	-
Bulletproof Vest Partnership Program:				
Bulletproof Vest Grant	16.004	unknown	40	-
Edward Byrne Memorial Justice Assistance Grant Program:				
Community Service Officers	16.738	2013-DJ-BX-0274	91	91
Community Service Officers	16.738	2014-DJ-BX-0351	205	205
Community Service Officers	16.738	2015 DJ-BX-0230	49,997	-
Community Service Officers	16.738	2016-DJ-BX-0725	57,438	-
<i>Total Edward Byrne Memorial Justice Assistance Grant Program</i>			<u>107,731</u>	<u>296</u>
Passed through Oregon Criminal Justice Service Division:				
Office on Violence Against Women				
Violence Against Women Formula Grants	16.588	VAWA-C-2013SalemPD-00011	90,104	-
Victims of Crime Act Grants	16.575	VOCA-OT-2016-SalemPD-00095	12,903	-

**CITY OF SALEM, OREGON**  
**FEDERAL GRANT COMPLIANCE REPORT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**YEAR ENDED JUNE 30, 2017**

<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>
<i>Department of Justice (Continued)</i>				
Direct funding				
Criminal Division				
Equitable Sharing Program	16.922	Various	\$ 56,461	\$ -
Total Department of Justice			332,944	296
<i>Department of Transportation</i>				
<i>Federal Aviation Administration</i>				
Direct funding				
Airport Improvement Program	20.106	AIP-3-41-0055-020-2015	1,488,735	-
Airport Improvement Program	20.106	AIP-3-41-0055-019-2014	9,947	-
<i>Federal Highway Administration</i>				
Passed through Oregon Department of Transportation:				
<i>Highway Planning and Construction Cluster:</i>				
State Street Corridor Plan	20.205	30686	7,338	-
I-5 Construction Zone Enforcement	20.205	1315WKZN-421-kkk	5,841	-
Commercial Street/Liberty Road Refinement Plan	20.205	30248	1,244	-
Salem Regional Traffic Signal Control Center	20.205	30669	237,300	-
Winter Street Bridge at Shelton Ditch-Permanent Reprs	20.205	28813/18213	15,323	-
Minto Island Trail/Corridor	20.205	29135/27808	551,856	-
Brown Rad NE: San Francisco-Sunnyview, Sidewalks & Bike Lanes	20.205	30833	64,763	-
12th Street: (Hoyt to Fairview) Southbound Widening	20.205	30718	25,063	-
Total Highway Planning and Construction Cluster			908,728	-
Passed through Oregon Association Chiefs of Police:				
Alcohol Impaired Driving Countermeasures Incentive Grants:				
DUII Enforcement-Oregon Impact Grant	20.608	K8-14-12-36	6,416	-
DUII Enforcement-Oregon Impact Grant	20.608	unknown	7,125	-
			13,541	-
<i>National Highway Traffic Safety Administration</i>				
<i>Highway Safety Cluster</i>				
Passed through Oregon Association Chiefs of Police:				
State and Community Highway Safety				
Speed Equipment Grant	20.600	DE-17-24-12 aaa	4,425	-
Pedestrian Safety Grant	20.600	SC-15-35-12 ccc	10,162	-
National Priority Safety Programs:				
Drug Recognition Expert	20.616	13227	3,724	-
Safety Belt Enforcement	20.616	Various	7,706	-
Safety Belt Enforcement	20.616	MIHVE-17-46-03 KKK	12,346	-
Total Highway Safety Cluster			38,363	-
Total Department of Transportation			2,459,314	-



**CITY OF SALEM, OREGON**  
**FEDERAL GRANT COMPLIANCE REPORT**  
*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)*  
*YEAR ENDED JUNE 30, 2017*

<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>
<i>Department of Environmental Protection Agency</i>				
Direct funding				
Office of Solid Waste and Emergency Response				
Brownfields Assessment & Cleanup Cooperative Agreement	66.818	00J93401	\$ 90,448.00	\$ -
<i>Department of Homeland Security</i>				
Passed through Oregon Emergency Management:				
Disaster Grants-Public Assistance				
Emergency Management Performance Grants	97.042	16-545	118,554	-
Passed through Oregon State Fire Marshall's Office				
FEMA				
Assistance to Firefighters Grant	97.044	EMW-2015-FO-02201	651,160	-
Passed through Oregon Emergency Management:				
State Homeland Security Program				
Bomb Teams Equipment/Training Grant	97.073	15-251	4,838	-
Bomb Teams Equipment/Training Grant	97.067	16-545	64,114	-
<i>Total State Homeland Security Program</i>			68,952	-
Total Department of Homeland Security			838,666	-
<i>Total Federal Expenditures</i>			\$ 5,671,993	\$ 1,669,533

*See Notes to the 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, 2017*

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***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, 2017. 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, 2017**

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**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:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
97.044	Assistance to Firefighters

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.