

Subject: Audit response....
Date: Wednesday, June 18, 2025 at 9:29:57 PM Pacific Daylight Time
From: Dann Cutter
BCC: Greg Dunn, Rick Booth, Jerry Townsend, Michelle Severson, Jayme Morris, Susan Woodruff, Heide Lambert
Attachments: audit response 2025.pdf

Hi All,

I have received communication regarding the states position on our audit. While I do not dispute the requirements for an audit by any means, I do specifically note that we HAVE been working with them the entire time, and have had many conversations on this issue with Ms. John. Here is the letter I am sending her.

As well, for your records, here is the record of information regarding this issue I have provided to council in emails over the last few years:

Informed council of audit issues on May 7th, 2021

Informed council on conversation with state on July 26th, 2021

Informed Council of action I had taken regarding Mr. Housen on October 8th, 2021

Informed council of audit issues on Jan 20th, 2022

Informed council of audit issues and conversations with state in July 2022.

Informed the council in 2023 after long conversation with Amy at the state:

Audit update – had a long call with the state audit office. We have a plan now moving forward with Emerald, and hopefully will see something soon. The State said a couple of interesting things:

- a) Right now there are no real penalties and consequences for a late audit, in fact they are championing a bill which removes the only thing which was a percentage of state revenue sharing.
- b) Municipal auditors are VERY hard to find right now. Nobody want to do them anymore, so its become a lot more expensive, and a lot of RFPs go unanswered.
- c) We can start asking for an auditor to start with FY23 audit to catch up, and then backfill over the next year.
- d) We need to plan that audit costs (roughly \$18k right now) should be in the \$40k range going forward).

I need to emphasize, regardless of lack of consequence, audits are a fiduciary duty of the city to its citizens. While our current audit firm has found some challenges, we will get these addressed and get the audits moving again. It's frustrating at the moment, as it is so out of our control, but the state made some great suggestions on how to move forward, and said we are in the same boat as others so it's not just us.

Informed council of promise to have audit from auditor in May 2023 (didn't get it until fall)

Then in the fall we took action and started searching for a new auditor, hiring one in March 2024. It generally takes 6 months to complete the audit for one year. We are asking for 4 years, during which we also switched accounting systems. I am working hard to get these complete as quickly as possible. We have hired an outside consultant as well to provide additional audit support so that staff responsibilities are not delaying the audit completion.

- dann

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