



STAFF REPORT

Meeting Type: City Council
Meeting Date: January 20, 2026
From: Tyler Wallace, Finance Director
Subject: Resolution 2026-01: Audit Corrective Action Plan for Fiscal Year 2025

DECISION TO BE MADE:

Whether to adopt the required corrective action plan for the fiscal year June 30, 2025.

APPLICABLE COUNCIL GOAL:

n/a

BACKGROUND / CONTEXT:

As a result of the annual [financial audit for the period ended June 30, 2025](#), three findings were identified by the City's auditing firm, Talbot, Korvola & Warwick, LLP. The three findings were all classified as "Internal Controls over Financial Reporting." Per ORS 297.466, the City must adopt a "Plan of Action" to address the findings, then submit the plan to the Secretary of State's office within 30 days of the financial statements being issued. The financial statements were issued December 29, 2025.

KEY CONSIDERATIONS / ANALYSIS:

Findings

Finding 2025-001 is a material weakness in internal controls over financial reporting related to recognition of debt. The cause was related to a missing control to identify a closing entry that should have been made to record new FY25 debt. The result was an understatement of debt. The error was corrected prior to the issuance of the financial statements.

Finding 2025-002 is a material weakness in internal controls over financial reporting related to recognition of capital assets. The cause was related to misapplication of Governmental Accounting Standards Board (GASB) Statement 34. The result was an understatement of capital assets and an overstatement of expenses. Additionally, there was a separate overstatement of capital assets and understatement of transfers within the internal service fund. The errors were corrected prior to the issuance of the financial statements.

Finding 2025-003 is a material weakness in internal controls over financial reporting related to recognition of revenue. The cause was a missing control to identify FY25 grant revenue received months after the close of FY25. The error was corrected prior to the issuance of financial statements.

Plan of Action

Finding 2025-001 – The Finance Department will implement additional internal controls to ensure that total outstanding debt is recorded timely and correctly.

Finding 2025-002 – The Finance Department will update City policy and implement additional internal controls to ensure capital assets are recorded correctly.

Finding 2025-003 – The Finance Department will implement additional internal controls to ensure that total grant proceeds are recorded timely and correctly

Upon of adoption of this resolution, the City Manager will submit the adopted resolution to the Secretary of State's office within seven days. This will meet the requirements under ORS 297.466 and finalize the audit and the necessary follow up items for the period ended June 30, 2025.

BUDGET IMPACT:

None.

RECOMMENDATION:

Staff recommends adopting Resolution 2026-01.

SUGGESTED MOTION LANGUAGE:

"I move to adopt Resolution 2026-01."

LIST OF ATTACHMENTS / EXHIBITS:

- Resolution 2026-01