Special Report

Limited Scope Financial Investigation of the City of Kamiah

For the period October 1, 2021, through September 30, 2024

Legislative Services Office Audits Division

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SUMMARY

April Renfro, Legislative Auditor

We have completed a limited scope financial investigation of the City of Kamiah (Kamiah). The Idaho Legislative Council directed the Legislative Audits Division of the Legislative Services Office (LSO Audits) to perform a financial investigation of Kamiah. The purpose of this financial investigation was not to provide an opinion on Kamiah's financial statements and was not conducted in accordance with generally accepted auditing standards in the United States, nor with attestation standards established by the American Institute of Certified Public Accountants (AICPA). The investigation was more limited than would be necessary to provide an opinion on the accuracy of financial statements or on the adequacy of internal controls. Accordingly, we do not express an opinion on the effectiveness of internal controls or ensure that all deficiencies are identified and disclosed. We conducted this financial investigation to determine if public funds were misused or misappropriated during the period under investigation. We reviewed Kamiah financial information, policies and procedures, and specific matters brought to our attention. We have included those facts that may indicate malfeasance, illegal expenditure of public funds, or misappropriation of public funds or public property for such investigation or action, civil or criminal, as the attorney general may deem necessary, as well as making recommendations to Kamiah to strengthen and improve internal controls that could reduce the risk of malfeasance or misappropriation.

This report summarizes the procedures performed, communicates the results of those procedures, and provides recommendations to Kamiah. As mentioned above, any facts that may indicate malfeasance, illegal expenditure of public funds, or misappropriation of public funds or public property will be communicated to the Idaho State Governor, Attorney General, and Controller in compliance with Idaho Code, Section 67-702(1)(e). In summary, certain facts were identified that may indicate misappropriation of public funds:

- Kamiah lacked adequate internal controls to safeguard public funds.
- Kamiah failed to maintain supporting documentation for financial transactions which lead to an increased risk of misappropriation of public funds.
- Kamiah has had a significant decline in financial position.

If you have any questions regarding this investigation, please contact April Renfro, Legislative Auditor, at arenfro@lso.idaho.gov.

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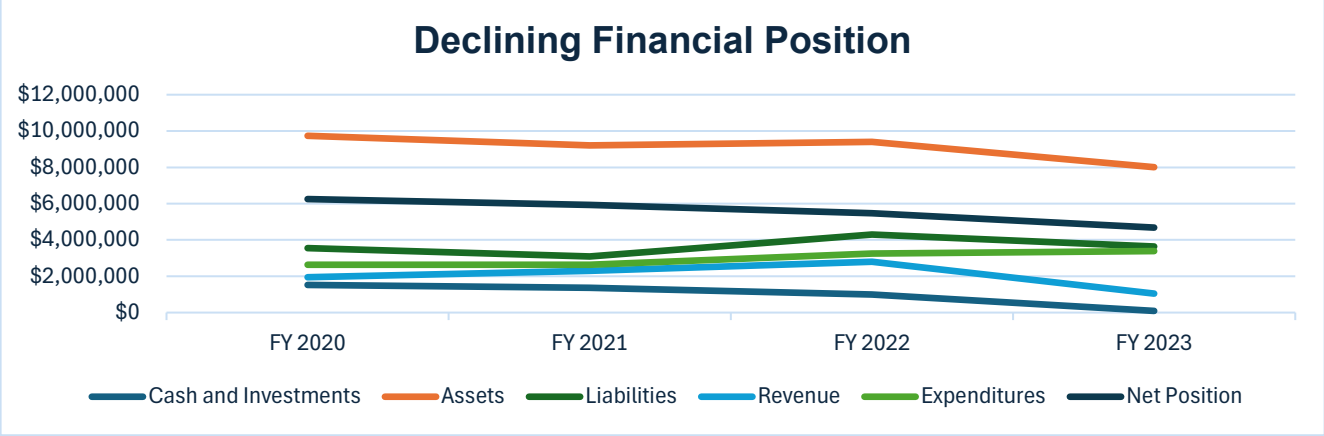
BACKGROUND

Citizens from the Kamiah area reported concerns about possible embezzlement or improper use of Kamiah public funds to the Lewis County Sheriff. The Lewis County Sheriff worked with the Idaho State Police (ISP) to further investigate the complaint as the Lewis County Sheriff has a conflict of interest with Kamiah. The Lewis County Sheriff is contracted to provide law enforcement and dispatch services for Kamiah. The ISP contacted LSO Audits to request assistance with the complaint and a financial review. The Idaho Legislative Council, pursuant to Idaho Code, Section 67-702(2), then directed LSO Audits to perform a financial examination of Kamiah at the June 17, 2024, Legislative Council meeting.

LSO Audits met with the ISP and the Office of the Attorney General's staff to discuss the complaints and review evidence and interviews obtained. LSO Audits completed the investigation focusing on the areas of complaint as well as reviewing financial statements, financial audit results, budget documents, meeting minutes, financial processes and records, and internal controls with special consideration as to how facts discovered might impact compliance with Idaho Code, Section 18-5701 (Misuse of public moneys by public officers and public employees), and Idaho Code, Section 67-702(1)(e), that requires reporting of facts that may indicate malfeasance, illegal expenditure of public funds, or misappropriation of public funds or public property to the Attorney General.

Kamiah had a declining cash and investments balance for several years along with a declining fund balance. Also, financial audits have not been submitted to the Local Government Registry in accordance with Idaho Code, Section 67-1076. The latest available audit for Kamiah is for the fiscal year ended June 30, 2023, which was not completed until July 2025. Additionally, the fiscal year 2023 financial statements revealed an unrestricted fund balance deficit of ($590,215), a cash balance of $91,624 that has declined by 94 percent since fiscal year 2020, and a fund balance that has declined by 25 percent since fiscal year 2020 to $4,448,796 and is mainly comprised of capital assets and debt reserves.



PROCEDURES AND RESULTS

We began the investigation in July 2024. We met with ISP and obtained documents related to its investigation including transcripts of conversations between an ISP detective and the complainants and certain payroll register information. With the assistance of the Attorney General, LSO Audits was able to obtain banking information for Kamiah as well. The field work was completed in the Kamiah offices in June 2025. During field work, LSO Audits interviewed several Kamiah employees, including acting Mayor Dale Schneider, City Clerk Teri Brenneis, Deputy City Clerk Mike Tornatore, and Fire Chief William Monahan. We were told by the mayor and city clerk that there was virtually no supporting documentation for financial transactions maintained by Kamiah when the city clerk began employment on April 15, 2024.

We completed the following procedures:

1. Overall analysis of internal controls
2. Review of general expenses
3. Review of banking procedures including bank reconciliations, investments in the Idaho Local Government Investment Pool (LGIP), and use of Kamiah credit card
4. Review of general payroll expenses with specific focus on personnel costs for former City Clerk Brenda Taylor, Deputy City Clerk and contracted Grant Writer Mike Tornatore, and former Interim City Fire Chief Jared Silvis
5. Review of financial audits, budgets, and financial statements
6. Review of revenue, including utility billings and other receipts
7. Review of the contract with Mike Tornatore (MFT Inc.) for grant writing
8. Review of expenses related to municipal pool renovations

ASSESSMENT #1: OVERALL ANALYSIS OF INTERNAL CONTROLS

As part of investigating the complaints, we needed to understand the system of internal controls that Kamiah was operating within. A robust system of internal controls should enable Kamiah to achieve important objectives. Those objectives revolve around ensuring operating effectiveness, reliable financial reporting, and compliance with laws and regulations. A successful internal control system should be adaptable to changing circumstances, mitigate risks to an acceptable level, and support sound decision making and governance. The risk of misappropriation should always be considered when designing an internal control system. As part of evaluating a system of internal controls, we consider the control environment. The tone from the top of the organization should ensure that employees have the support and resources to properly design internal controls to meet the organization's objectives. Without a robust system of internal controls in an organization, like Kamiah, it is at risk of error and fraud going undetected and uncorrected.

Procedure Performed

We gained an understanding of Kamiah's financial processes by reviewing documents and interviewing the Kamiah financial staff. We then completed testing, as detailed in the specific sections below, for general expenses, banking procedures, payroll expenses, utilities services,

and municipal pool renovations to determine if the internal controls identified during that process were properly designed, functioning as intended, and accomplishing the objectives of Kamiah.

Results

We found that while Kamiah designed and implemented some internal controls over financial procedures, the overall result was that many of the internal controls identified were either inconsistently applied or entirely nonexistent for extended periods of time. Kamiah failed to maintain documentation to support financial transactions in all areas reviewed, and as a result, we were unable to verify the legitimacy of many of the transactions reviewed. We also learned that there were no definitive supervisory and subordinate roles defined between the city clerk and the deputy city clerk. The two employees worked independently and in an adversarial manner. In addition, the two employees were not cross trained for each other's roles. In a small organization, like Kamiah, these two roles could have provided segregation of duties and review and approval control activities to ensure objectives were met.

Recommendations

- We recommend that Kamiah improve its system of internal controls to provide better assurance that they have accurately recorded financial transactions that are supported by appropriate documentation and in compliance with applicable laws, rules, and regulations.
- We also recommend that Kamiah define the roles of employees and cross train employees where appropriate.

Fraud Consideration

Based on the information provided by City Clerk Teri Brenneis and acting Mayor Dale Schneider, it is possible that supporting documentation for financial transactions was not just missing but purposely removed from the possession of Kamiah. The removal of the supporting documentation could have been done to conceal fraudulent activities.

ASSESSMENT #2: REVIEW OF GENERAL EXPENSES

We decided on a two-part approach to test general expenses. The first procedure was to select a sample of transactions and review the internal control activities identified by Kamiah financial staff to verify financial procedures were followed and internal controls were completed and effective. The second procedure was a more detailed review of vendor payment records held by Kamiah and the bank to identify payments with higher risk for error or fraud.

Procedure 1 Performed

We gained an understanding of Kamiah's general expenditure process by interviewing Kamiah financial staff. We learned from acting Mayor Dale Schneider and City Clerk Teri Brenneis that the following approval requirements for expenses were in place.

- Purchases under $200 would not require management approval.
- The mayor would approve purchases between $200 and $500. Kamiah staff explained that the approvals were frequently done orally, and no documentation was maintained.

- Purchases over $500 were required to be approved by the City Council and that approval should have been documented in the meeting minutes. Evidence of the City Council approval in meeting minutes was sporadic, at best.

Neither the mayor nor city clerk in place at the time of our investigation were knowledgeable about the approval process for expenses prior to their appointments.

We completed testing on 6 transactions, all over $500 (requiring City Council approval) to trace the recorded transaction in the accounting system to the appropriate supporting documentation, including contracts and invoices. We reviewed the supporting documentation to confirm if approvals from the City Council were included and that the amount on the supporting documentation matched the transaction amount in the accounting system. Only 6 items were selected for testing as Kamiah advised that little supporting documentation was available.

Date	Check	Check Amount	Vendor	Supporting Documents Available	Review Complete
9/21/2021	43840	$34,386.61	Community First National Bank	No	No
11/1/2022	44542	$13,712.43	Simmons Sanitation	No	No
1/18/2023	44669	$13,551.25	Avista Corp	Yes	No
6/14/2023	107289	$9,369.50	IIIA - Independent Intergovernmental Authority	No	No
4/18/2024	45369	$13,291.10	Lochsa Electric	Yes	No
9/26/2024	45569	$53,526.76	Lewis County	Yes	No

Results

No supporting documentation was available for 3 of the 6 tested transactions. For the other 3 transactions, we performed testing and identified no discrepancies between the supporting documentation and accounting system; also, checks were signed by the city clerk and mayor, as required; however, there was no specific evidence that the City Council had approved any of the expenses. Sporadically, meeting minutes included evidence that a single aggregated amount was approved by the City Council, but individual transactions were not identifiable, and the amount approved did not agree to total expenditures for a specific period. None of these transactions had clearly documented approvals. We also identified 1 expense that exceeded the total amount approved by the City Council for the specific month in which it occurred.

Procedure 2 Performed

We reviewed a vendor summary using a query of Kamiah's accounting system and bank records from Kamiah's bank accounts. We also looked at the process of adding new vendors or modifying vendor information.

Results

We reviewed the top 14 vendors for spending and verified online that each vendor had a legitimate business presence.

We also looked specifically at the spending included below from October 1, 2021, through September 30, 2024, for the following vendors:

1. *Lewis County Sheriff* – $785,817.23. We reviewed selected contracts between Kamiah and Lewis County. Lewis County Sheriff was the highest paid vendor during the period under review. The amounts paid were for law enforcement, patrol, and dispatch services.
2. *Jared Silvis* – $8,554.23. Jared Silvis was employed as the city fire chief from September 2022 through April 2023. The costs included reimbursements for travel, food, candy for a BBQ, table coverings, various Christmas items, and tires. Kamiah was unable to provide receipts or other documentation to verify that these reimbursements complied with city policies and were incurred on behalf of Kamiah. We could not determine a business purpose for an employee to personally pay $6,893.72 directly to the vendor for tires and then request reimbursement rather than have the city invoiced by the vendor. We also could not determine if the charge was for a city vehicle or a personal vehicle because Kamiah could not provide receipts indicating a specific vehicle receiving the tires or other supporting documentation for the expenses. Furthermore, we could not identify the vendor from the transaction as payment was made directly to the employee.
3. *Idaho Stage Construction* – $295,761.24. Idaho Stage Construction was paid for the renovation of Kamiah's municipal pool. Concerns were raised regarding these payments, and an in-depth review is documented later in this report.
4. *Mike Tornatore* – $2,842.70. Mike Tornatore is the deputy city clerk and contracted grant writer. These costs included candy, postage, food, and a payment for grant writing services, which should have been paid to MFT Inc.
5. *MFT Inc.* – $39,972.31. Deputy City Clerk and contracted Grant Writer Mike Tornatore is the business owner of MFT Inc. These costs included grant writing fees, candy for a BBQ, snacks for a meeting, and utility billings. Kamiah could not provide an explanation as to why a contractor would be paid for the items outside of grant writing. We are also concerned with the process Kamiah and Mike Tornatore went through to restructure his pay between the deputy city clerk role and the grant writing because it was not well documented as to how time would be split, expectations, and record keeping.
6. *Kamiah* – $9,277.52. Kamiah paid itself $9,277.52. We were unable to determine the purpose of the payment or payments.

We also found the following facts that increase the risk of errors or fraud occurring and going undetected and uncorrected:

- Neither Kamiah's accounting system nor any other internal controls require a separate documented review and approval of vendor additions to the system.
- Vendors paid through the Automated Clearing House (ACH) were not included in the query results we received.
- A scan of checks from Wells Fargo Bank revealed that payees can be paid without being established as a vendor in the accounting system.
    - For example, the Idaho State Tax Commission does not show up on the vendor query even though at least one check was noted in our scan of transactions.

Recommendations

- We recommend that Kamiah design and consistently implement internal controls for expense transactions and ensure that financial transactions are supported by appropriate documentation.
- We recommend that Kamiah consider requiring a documented approval of all city related transactions.
- We recommend that Kamiah retain documentation of the City Council's approval of expenses at a level of detail that can be verified by independent individuals.

Fraud Consideration

The level of missing documentation across all financial transactions reviewed is very concerning. We were unable to determine if the missing documentation was due to incompetence or fraudulent activities, but it does call into question the integrity of many transactions. Reimbursements to city employees without proper supporting documentation could be construed as noncompliance or possibly fraudulent activity.

ASSESSMENT #3: REVIEW OF BANKING PROCEDURES INCLUDING BANK RECONCILIATIONS, INVESTMENTS IN THE LGIP, AND USE OF KAMIAH CREDIT CARD

Procedure 1 Performed

Complaints identified concerns about Kamiah's declining financial position. To understand the Kamiah financial situation, we reviewed Kamiah's bank reconciliations and found no documented evidence that bank reconciliations had been completed in a timely manner between October 2021 and September 2024. Kamiah has since contracted with an individual independent of the city's staff to begin completing past bank reconciliations. It should be a standard duty for the city clerk and financial staff of Kamiah to complete monthly bank reconciliations and provide the information to the City Council for review. We obtained Kamiah's bank statements from January 2021 through December 2024. We scanned all bank statements and selected the January 2023 bank reconciliation to perform a detailed review.

Results

The January 2023 reconciliation was limited to the checks portion of the bank statement. The reconciliation showed that the only discrepancy between the checks on the bank statement and the accounting system was $.09. The individual completing the bank reconciliations left notes for City Clerk Teri Brenneis indicating that adjustments were needed. One note indicated that a journal voucher or journal entry in the accounting system was needed. The journal vouchers included bank deposits that were not included in the accounting system. Further inquiry of Teri Brenneis indicated that she did not know how to complete a journal voucher in the accounting system; therefore, the accounting system was still not up to date with the bank reconciliations. Failing to update the accounting system to agree to the reconciled bank information leaves the accounting system with ongoing errors that may mislead decision makers with incorrect financial information.

We noted that Kamiah made an ACH payment in May 2021 for $19,252.23. The payment appears to have been paid to either a fake vendor or for ransomware. No supporting documentation was available for the transaction, only handwritten notes on the bank statement by an unknown author. The payment was not approved by the City Council.

Procedure 2 Performed

We reviewed Kamiah's investment balances in the LGIP. A transaction history for Kamiah's accounts in the LGIP was obtained and deposits and withdrawals were analyzed.

Results

Kamiah's LGIP total account balance was $1,733,245 on January 1, 2021, and the total account balance was $206,853 on July 2, 2024, a decline of $1,526,392 (88 percent) over approximately 3.5 years. Further analysis showed that over that period, Kamiah deposited or reinvested a total of $1,078,685 in the LGIP while withdrawing a total of $2,605,077. Based on this activity from January 1, 2021, to July 2, 2024, there was a total net reduction in the LGIP of $1,484,428.

Additionally, available cash and investment balances that include funds with the LGIP and in other bank accounts are reported on the financial statements as two components: current cash and investments and restricted cash and investments. The restricted cash and investments for Kamiah is generally the amount set aside to cover the year's payments on outstanding debt (reported as net position restricted for debt service). As with the LGIP account, the overall cash and investments reported on the financial statements have declined over the last four financial audits. Current cash and investments declined by 94 percent from fiscal years 2020 to 2023, while restricted cash and investments remained constant as the debt obligation also remained constant.

Government Wide Balance Sheet	FY 2020	FY 2021	FY 2022	FY 2023
Cash and Investments	$1,522,335	$1,360,396	$999,341	$91,624
Restricted Cash and Investments	$227,163	$227,163	$227,163	$209,856
Unrestricted Net Position	$1,440,200	$1,306,007	$864,036	($590,215)
Net Position	$6,251,309	$5,922,404	$5,466,849	$4,680,109

Further analysis showed that all LGIP withdrawals were completed by Kamiah employees. Most of the transactions were initiated by former City Clerk Brenda Taylor. The city did not design or implement internal controls requiring a review of LGIP transactions. We were able to tie some of the LGIP withdrawals to specific expenses; however, several withdrawals appeared to be completed to provide Kamiah with sufficient cash flow to cover monthly expenses. We further confirmed this in the analysis of the Kamiah financial statements and budgets. Kamiah's fiscal year 2023 audited financial statements showed an unrestricted cash and investments balance of $91,624 and included qualified opinions for several opinion units.

Procedure 3 Performed

We reviewed Kamiah's use of credit cards and learned that the Kamiah credit card could be used by employees without requiring them to submit supporting documentation. It was not possible to determine if the purchases had a legitimate business purpose for Kamiah or were personal in nature as documentation was not available.

We received credit card statements showing activity from January 2021 through September 2025. Each monthly statement was scanned for unusual items. Unusual purchases were defined as either considerably larger than expected, indicative of unusual travel, or were not a typical expenditure for a city.

Results

We reviewed 59 credit card purchases totaling $35,994 from 2021 to 2024. The vendors included electronics stores, specialty clothing retailers, wholesale outlets, gym outfitters, grocery outlets, hotels, convenience stores, and large commercial equipment suppliers. Several purchases appeared to be travel-related; however, with no supporting documentation, we could not substantiate a legitimate travel purpose. One purchase was for Life Flight in Oregon, which also had no supporting documentation to substantiate Kamiah's obligation for a medical flight in a bordering state. In addition, there were Amazon purchases totaling $20,818 lacking sufficient supporting documentation. While all the purchases may have a legitimate purpose for city business, there was no way to verify that without supporting documentation. The accounting system included some abbreviated notes, but nothing definitive for the transactions.

A random transaction was identified in November 2021 from Best Buy for $1,059.98. In the Kamiah accounting system, the purchase was associated with "TV fire station." We visited the fire station and found several televisions. However, Kamiah does not use any sort of inventory tracking for this type of purchase, so determining that any of the televisions we encountered were linked to the credit card purchase was not possible.

Recommendations

- We recommend that Kamiah design and implement internal controls to ensure bank reconciliations are documented and completed timely to safeguard city assets.
- We recommend that Kamiah implement internal controls to document a supervisory review of all LGIP transactions to ensure that Kamiah assets are safeguarded.
- We recommend that Kamiah develop a policy for credit card use and require supporting documentation for all purchases. Further, the mayor and city clerk should discuss these activities monthly with the City Council and obtain documentation of the City Council's approval for actions when necessary.

Fraud Consideration

The fact that documentation is unavailable to support the credit card purchases could indicate incompetence or fraud. Particularly, the purchases completed using the city's credit card could very likely be for personal use rather than a business purpose.

ASSESSMENT #4: REVIEW OF GENERAL PAYROLL EXPENSES WITH SPECIFIC FOCUS ON SELECT PERSONNEL

Based on the information we obtained, we determined that special attention should be paid to the personnel costs for former City Clerk Brenda Taylor, Deputy City Clerk and contracted Grant Writer Mike Tornatore, and former interim City Fire Chief Jared Silvis. This is done in addition to a general review of payroll expenses for city employees.

Procedure 1 Performed

We reviewed Kamiah's personnel system, learning that the personnel policy was last updated in 2019. The policy describes several requirements for the personnel process; however, supporting documentation for personnel actions were not available for review. The personnel policy includes a clause that states any increase in an employee's wage shall become effective at the start of a pay period and only when approved by the mayor and City Council. We were told that employee files were virtually empty when City Clerk Teri Brenneis began employment. After interviewing some longer-term employees, we learned that pay information, such as leave balances, was not consistently communicated to employees.

We reviewed the following items in the accounting system as part of our personnel analysis:

- Kamiah's personnel policy
- Employee leave reports
- Employee rate query results
- Employee payroll registers
- Employee vacation and sick accrual adjustments

In addition to scanning payroll registers and leave reports for all employees, we focused specific analyses on payroll transactions for former City Clerk Brenda Taylor, former Interim Fire Chief Jared Silvis, and Deputy City Clerk and contracted Grant Writer Mike Tornatore.

The only employees with access to the accounting system making changes to payroll in the records reviewed were the city clerks. The city clerks in chronological order were Stephanie Dyche, Brenda Taylor, and Teri Brenneis. It is also possible that Mike Tornatore had access to make changes in the accounting system; however, no wage changes attributed to Mike Tornatore were identified.

Results

General

We completed a review of employee rate changes from January 1, 2020, to December 31, 2024. Payroll records indicated that Kamiah gave most long-term employees a permanent $2

per hour raise on October 4, 2021, justifying it with American Rescue Plan Act (ARPA) federal funding. However, ARPA funding was temporary and giving permanent raises with temporary funding sources could contribute to future declining cash balances. In addition, some employees were also given cost of living adjustment (COLA) raises of $1 per hour in October 2022, while Brenda Taylor and Mike Tornatore were given $2 per hour COLA raises. They appear to be the only employees that received the increased amount. None of these wage increases had supporting documentation showing the mayor and City Council's approval, as required by city policy.

Mike Tornatore began employment in October 2020 with a starting hourly rate of $13. Tornatore's pay rate increased three times, first on April 29, 2021, to $18 per hour, next on October 4, 2021, to $20 per hour and finally on October 17, 2022, to $22 per hour. In January 2023, Mike Tornatore, at his own request, switched from a full-time employee to a part-time employee, taking a pay cut from $22 per hour to $12.50 per hour. The contract originally provided $1,200 per month; it was signed August 9, 2023, and retroactively effective beginning January 1, 2023. Beyond the monthly payment for grant writing services, a contract clause allowed Mike Tornatore to receive 3 percent of any grants obtained, if the terms of the grant allowed the payment. Mike Tornatore provided a memo to the mayor and City Council members, also dated August 9, 2023, detailing a list of grants he secured totaling $3,591,000; we were unable verify this amount. The memo stated that the grantors did not allow for direct compensation of 3 percent, so Mike Tornatore requested, and received an adjustment to the contract to $2,400 per month for grant writing services. This contract was also in effect from January 1, 2024, through December 31, 2024. There was no evidence of approval in the City Council meeting minutes but signed contracts with the new terms were provided.

We also reviewed Kamiah vacation and sick accrual reports from October 1, 2021, through September 30, 2024, and found that all adjustments were made by Brenda Taylor. In addition, the Employee Rate Query report also showed that Brenda Taylor made all wage changes in the accounting system between April 29, 2021, through April 8, 2024. Specifically, in May 2022 Brenda Taylor adjusted several employees' leave time because it was accruing the annual allowance for leave each pay period instead of recording it once, annually, as dictated by city policy. Additionally, no evidence was provided that employee records were reviewed to ensure that no one was overpaid for leave time during the period with the errors.

There is no segregation of duties, or other appropriate internal controls, related to the duties of the city clerk; therefore, pay checks, pay rates, and leave balances could be altered by the city clerk after approvals, if an approval existed, and go undetected. Based on interviews conducted by the Idaho State Police, the former Mayor Betty Heater stated that time sheets for Brenda Taylor and Mike Tornatore were not reviewed, with very limited exceptions, over a two-year period. In addition, there was no financial information related to personnel costs provided to the City Council.

Brenda Taylor

Several items of note were identified in Brenda Taylor's payroll registers from April 8, 2021, through April 18, 2024:

- On 4 occasions, Brenda Taylor was paid for sick time in addition to the combination of 80 or more hours of regular, holiday, or overtime pay during a single pay period. The Fair Labor Standards Act (FLSA) considers a full pay period to be 80 hours. It is inappropriate to be paid for more than 80 hours, except if those hours were actually worked.
- Brenda Taylor was paid for two holidays during a pay period that only had one holiday.

Complaints about misuse of public funds indicated that Brenda Taylor was receiving benefits paid for by Kamiah instead of from the employee share. Based on the payroll registers, Kamiah paid the AFLAC Insurance carrier $865.38 on behalf of Brenda Taylor from April 8, 2022, to March 4, 2024. Kamiah explained that AFLAC is a benefit paid entirely by the employee, so any payment by the employer was inappropriate. However, we were unable to verify the specific parameters of the paid benefits in the personnel policy.

Based on the timing of these transactions, former City Clerk Brenda Taylor would have set the deduction up in the Kamiah accounting system. The lack of internal controls over her duties would also have allowed her to approve and process these deductions.

Jared Silvis

Nothing of note was identified regarding Jared Silvis' usage of leave time. In August 2022, Jared Silvis was offered the job of temporary fire chief at a rate of $2,500 paid biweekly. Jared Silvis was paid $3,000 biweekly in late 2022 and into 2023. Kamiah could not provide any documentation showing the purpose for the increase or that the pay change was approved by the mayor and City Council.

Mike Tornatore

Based on Kamiah's policy, the maximum vacation time Mike Tornatore could have accrued between October 1, 2020, and December 31, 2022, was 120 hours. This would have been 40 hours after his first work anniversary and 80 hours after his second work anniversary. Between October 7, 2022, and December 30, 2022, Mike Tornatore received payment for 240 hours of vacation. When asked about the discrepancy, Mike Tornatore indicated that Kamiah kept paying so he kept asking.

On 5 occasions, Mike Tornatore was paid for vacation in addition to the combination of 80 or more hours regular, holiday, overtime, or sick pay during a single pay period. The total amount of gross wages paid during this timeframe that exceeded the 80-hour maximum was $5,200, which was not in compliance with Kamiah's policy.

On 2 occasions, Mike Tornatore was paid with checks that had different dates when comparing the payroll register to the payroll check history documentation provided. It appears that Mike Tornatore received two checks for payroll on April 8, 2022, for different amounts recorded in

the payroll register, but only one of those checks was recorded in the employee payroll check history dated April 22, 2022. We were not provided with an explanation upon inquiry to Mike Tornatore.

On 4 occasions, based on the documentation provided, Mike Tornatore was paid a total of $670 for sick time in addition to the combination of 80 or more hours regular, holiday, or overtime pay during a single pay period.

Date	Sick Hours Recorded	Pay Rate	Amount
February 11, 2022	10	$20	$200
July 15, 2022	1.5	$20	$30
October 21, 2022	10	$22	$220
December 2, 2022	10	$22	$220
Total			$670

The Fair Labor Standards Act (FLSA) considers a full pay period to be 80 hours; it would not be appropriate to be paid for more than 80, except if those hours were actually worked.

Kamiah's personnel policy includes the following requirement:

- Employees may not falsify their own timesheet or alter another employee's timesheet in any way. Employees must not under- or over-report hours worked by themselves or other employees, or conceal any falsification of time records, even if instructed to do so by a supervisor, department head, an Elected Official or other person. If instructed to do so, the employee must immediately report it to legal counsel for the City.

It appears that Mike Tornatore was not compliant with Kamiah's personnel policy or FLSA requirements.

Kamiah paid AFLAC $1,219.32 on behalf of Mike Tornatore from January 14, 2022, to March 4, 2024. We were told that AFLAC is a benefit paid by the employee exclusively, not the employer; however, we were unable to verify the specific parameters of the paid benefits in the personnel policy. Based on the timing, former City Clerk Brenda Taylor would have initiated this in the Kamiah accounting system.

<u>Recommendation</u>

- We recommend that Kamiah implement internal controls to ensure all payroll changes and transactions are reviewed by others independent of the city clerk, including the mayor and City Council.
- We recommend that Kamiah require that every employee time sheet be reviewed and approved by their supervisor for every pay period.
- We recommend that Kamiah provide a copy of the personnel policy to all employees and that the policies are consistently followed, including documented approvals of pay changes and leave time usage. Kamiah should retain documentation of explicit City Council approval for all pay increases.

Fraud Consideration

We believe that the lack of documentation, lack of segregation of duties, and lack of required approvals for wage increases, vacation payouts in excess of vacation earned, and city payments for employee-based benefits indicates the possibility that payroll fraud occurred.

ASSESSMENT #5: REVIEW OF FINANCIAL AUDITS, BUDGETS, AND FINANCIAL STATEMENTS

Procedure Performed

We reviewed Kamiah's financial audits, budgets, and financial statements. Idaho Code, Section 67-450B, requires the completion of local governmental entity financial audits within nine months from the end of the audit period. We reviewed available audits for compliance with this requirement, atypical balances, and significant changes when comparing year to year. We also analyzed the budgets for reasonableness, variances, and for audit findings and Kamiah's reaction to audit findings.

Results

Kamiah financial audits were not completed in a timely manner in accordance with Idaho Code, Section 67-450B. The following table reflects the timing of completed audit reports, each year indicates a late completion date.

Year-End Date	Audit Due Date	Audit Completion Date	Late Completion
9/30/2020	6/30/2021	7/13/2021	13 days
9/30/2021	6/30/2022	7/23/2022	23 days
9/30/2022	6/30/2023	11/10/2023	133 days
9/30/2023	6/30/2024	7/9/2025	374 days
9/30/2024	6/30/2025	Not Completed	

The audit reports ending on September 30, 2022, and September 30, 2023, both included significant findings. Finding 2022-001 identified a budget violation specific to the General Fund and the Ambulance Fund indicating that expenditures greatly exceeded the adopted budget and with no corresponding increase in revenue. Finding 2023-001 was related to the lack of bank account reconciliations or review by the mayor or City Council, classifying it as a material weakness. There was no evidence that Kamiah had implemented any corrective actions for the findings. These findings, along with a lack of completed corrective actions, increase the risk of financial insolvency for Kamiah, whether due to incompetency or nefarious actions.

We also reviewed annual budgets, which were consistently inaccurate. Annually, Kamiah over estimated budgeted revenues and underestimated budgeted expenditures. For example, for the year ended September 30, 2022, Kamiah budgeted $673,589 of revenue and $484,487 of expenses for the Kamiah General Fund. However, actual revenues collected were $532,054 and actual expenses were $733,852. The revenue variance was $141,535 less than budgeted, and the expenditure variance was $249,365 more than budgeted. The poor budget planning and monitoring combined with a lack of compliance with budget limits is a factor in the

significant decrease in the Kamiah investment balance. This issue is further complicated by the lack of approvals for expenses and the lack of segregation of duties over the revenue process.

During our review of the Kamiah financial statements and financial audits, it was discovered that Kamiah was loaning or transferring money from the water and sewer funds to other funds. The purpose of establishing separate funds to account for water and sewer activities is to ensure that the costs of providing the services to the public are covered primarily through user charges or fees, rather than relying on tax revenues. Conversely, governments typically do not manage these services to make a profit that would allow it to loan proceeds to other funds. Kamiah issued bonds to support the activities of the water and sewer funds. We made several requests to review bond documents to determine if there were bond covenants that prohibited the transfer or loaning of money from the associated funds where the bonds were tied. Kamiah was unable to provide copies of the bond agreements; therefore, we were unable to determine if the loaning or transfer of funds was compliant with the requirements in the bond agreements. The lack of documentation increases the risk of errors in the Kamiah financial statements.

Recommendations

- We recommend that Kamiah implement internal controls to ensure all financial audits are completed in a timely manner in compliance with Idaho Code, Section 67-450B.
- We recommend that Kamiah implement internal controls to ensure that budgets are realistic for revenues and expenses and are properly monitored for compliance.
- We recommend that Kamiah work with bond issuers to ensure that loans and transfers between funds on the financial statements are appropriate and compliant with bond covenants.

ASSESSMENT #6: REVIEW OF REVENUE, INCLUDING UTILITY BILLINGS AND OTHER RECEIPTS

Procedure Performed

We reviewed Kamiah's revenue process for utilities and worked to gain an understanding of the procedures and internal controls related to the utility charges, receipts, bank deposits, and revenues recorded in the accounting system. Kamiah Deputy City Clerk and contracted Grant Writer Mike Tornatore was the only city employee with access to the utility billings program. Mike Tornatore uses the utility billing system within the accounting system to bill the monthly utility charges to all customers and is also the sole employee to enter the rates into the utility billings system.

On a monthly basis, Mike Tornatore creates billing statements for each customer using water consumption amounts from meter readings and inputs the readings into the utility billing system for each customer. Mike Tornatore then creates and sends a monthly bill to customers in the form of a card, which is supposed to be returned with payment. Each card contains a bar code to enable matching payments to bills. When bills are created, they are stored in the utility billing system by customers and by account, as some customers have multiple accounts. Customers can pay online or in-person. When customers pay utility bills, Mike Tornatore documents the

payments in the utility billing system. While the payment amounts should match the associated bill, Mike Tornatore can adjust amounts if errors are noted or the payments do not match the bills. Mike Tornatore creates a daily deposit slip and takes the payments to the bank. No segregation of duties, or other appropriate internal controls, were identified to protect the integrity of the billings created or the payments collected. Mike Tornatore has sole access and responsibility for the billings, adjustments, collections, deposits, and accounting of the utility billings.

Cash receipts associated with utilities for a single day were selected for review.

Results

We reviewed cash receipts for September 9, 2024, and were able to agree the daily receipt amount recorded to the Wells Fargo bank statement for September 10, 2024. We then selected two receipts from those deposits and were able to trace them back to the utility billing detail for the applicable accounts showing that the amount received in September agreed to the amount shown as billed in August. However, discrepancies were identified when tracing the amounts billed to the billing rates provided by Mike Tornatore. For example, rates charged to cover the cost of bonds did not tie to the appropriate bond year. Also, in each of the items tested, some rates did not match the billing rates provided. In total, 1 account was over billed by $0.56, and the other account was under billed by $60.72.

Mike Tornatore is the only city employee with access to utility information and has the ability to make changes without oversight. This increases the risk that unintentional errors or intentional changes would not be detected.

Recommendations

- We recommend that Kamiah implement internal controls to segregate duties in the utility billing and receipting process including the input of utility rates, monthly billings, receipting, deposits, adjustments, and reconciliations.
- We recommend that Kamiah cross train the city clerk and the deputy city clerk to provide oversight and to allow for business processes to continue during the absence of an employee.

Fraud Consideration

The lack of segregation of duties in the utility revenue process significantly increases the risk that fraud could occur. Given the current process, the deputy city clerk could intentionally enter incorrect rates, meter readings, and adjustments. In addition, the deputy city clerk could adjust customer accounts to hide the theft of cash received. The lack of bank reconciliations, as noted in the testing of general expenditures, further increases this risk. Adjustments could be intentionally made to customer accounts to inappropriately gain influence.

ASSESSMENT #7: REVIEW OF CONTRACT WITH MIKE TORNATORE (MFT INC.) FOR GRANT WRITING

Procedure Performed

Upon review of the identified payroll concerns, we determined it was important to also review Kamiah's grant writing contract with Mike Tornatore (MFT Inc.). We discussed the contract with Mike Tornatore and reviewed the number of grant applications written and received by Kamiah during the review period. In January 2023, Mike Tornatore, at his own request, switched from a full-time employee to a part-time employee, taking a pay cut from $22 per hour to $12.50 per hour. With the change, Mike Tornatore continued to work 64 hours per pay period to maintain paid benefits and entered into a contract to write grant applications for Kamiah. The contract started at $1,200 per month in January 2023 and then increased to $2,400 per month in August 2023. In the bargaining phase for increasing the contract, Mike Tornatore purported himself to be a Certified Federal Grant Manager. We were unable to confirm such certification exists.

The co-mingled payments to MFT Inc. and Mike Tornatore reveal the challenges of determining what Mike Tornatore was doing as a city employee versus as a contractor. Additionally, there was no clear support that the grant writing work was occurring separately from Mike Tornatore's required employee hours and work as the deputy clerk. Mike Tornatore provided documentation filed in city file cabinets related to grants that he had written.

Results

We reviewed a list of grant applications that Mike Tornatore wrote in calendar years 2023 and 2024. Two grant applications were written and submitted in calendar year 2023. The first was a Federal Emergency Management Agency (FEMA) grant for the Kamiah Storm Water project, which was awarded in January 2025 totaling $425,586 and required $40,532 of city matching funds. Kamiah planned to provide the matching amount using an in-kind match, which could be city employee hours or equipment used on the project. At the time of our review, Kamiah had not issued payment for the project or received any reimbursements from the grantor. The second grant was from the Idaho Department of Commerce totaling $80,000, which was later rescinded. In calendar year 2024, two additional grant applications were written and submitted. The first was a FEMA grant for the Kamiah Wildfire Mitigation phased project totaling $926,310 with a required 10 percent match, or $92,631. Kamiah planned to use an in-kind match to meet the matching requirement. However, the grant was not awarded. The second was an Idaho Department of Parks and Recreation grant for the Kamiah boat ramp extension project, which was awarded in May 2024 totaling $101,000 and required $14,817 of city matching funds. At the time of our review, Kamiah had paid $6,400 for the project and received $5,504 in reimbursements from the grantor. During our review, no documentation was provided to support consideration of future maintenance and upkeep costs associated with the acceptance of these grants. We were unable to verify when Mike Tornatore was acting as contractor versus as the deputy city clerk.

At the time of our review, Kamiah had paid Mike Tornatore $49,200 to produce a total of four grant applications written and submitted. Three grants were originally awarded, but one was later rescinded resulting in two awarded grants. The contract payment terms appear to have been followed.

Recommendations

- We recommend that Kamiah consider completing a cost-benefit analysis of the grant-writing contract with MFT Inc. to ensure it is a sound business practice for Kamiah.
- We also recommend that Kamiah establish a policy for employees who also contract with the city so that contracting activities are clearly delineated to avoid legal scrutiny from the grantor or the Internal Revenue Service.

ASSESSMENT #8: REVIEW OF EXPENSES RELATED TO MUNICIPAL POOL RENOVATIONS

Procedure Performed

Once we began the review, we found that Kamiah had a project to renovate a municipal pool. We reviewed Kamiah's transactions and available documentation for the project.

In October 2020, Kamiah entered into a contract with Idaho Stage Construction to complete the project. We inquired with the Kamiah financial staff and queried the accounting system for amounts paid to contractors associated with the project. Kamiah financial staff were able to provide some documentation related to the project. The original contract totaled $43,700. Several change orders and changes were made partly due to the Covid-19 pandemic and the infusion of federal funding related to the pandemic. The scope of work after the procurement of grant funding included a pool lining system, pool gutter system, including a leveling gutter rim, screen walls, locker room fixtures, domestic water lines, concrete patching, and interior carpentry to provide furred plumbing.

Results

Between October 2020 and June 2023, Kamiah's documentation revealed it spent $513,034.25 on pool renovations to three vendors. However, upon further investigation, an additional final payment issued on June 15, 2023, for $40,053.72 was made to close out the contract with Idaho Stage Construction. Documentation was not available to support any services provided for this last payment. Additionally, a portion of funds were paid from an account not identified in Kamiah's accounting system.

The table below details the project's spending by vendor.

Vendor	Contract	Documented Costs	Additional Undocumented Costs Paid from City Account	Total Paid	Costs Paid Through City Accounts	Costs Paid Through Accounts Outside the Acct. System
Idaho Stage Construction	$43,700	$458,399.50	$40,053.72	$498,453.22	$343,189.54	$155,263.68
RE Architecture		$37,384.75		$37,384.75	$36,056.00	$1,328.75
Clearwater Economic Development Association		$17,250.00		$17,250.00	$17,250.00	
Total		$513,034.25	$40,053.72	$553,087.97	$396,495.54	$156,592.43

The last documented change order provided by Kamiah was change order #5 dated January 26, 2023. The project total, at that point, was documented as $495,317.41. No documentation was available to reconcile this amount to the total of $498,453.22 actually paid to Idaho Stage Construction. No additional documentation was available for dates between this last change order and June 15, 2023, when Kamiah made the contract close-out payment to Idaho Stage Construction of $40,053.72. Based on the supporting information provided, the total spent on the project was $553,087.97, of which $498,453.22 was paid to Idaho Stage Construction.

Current Kamiah staff could not explain why Kamiah paid over $500,000 and the pool was still inoperable. Kamiah provided very generic contract documents with Idaho Stage Construction that did not clearly define expected deliverables and timelines so it is unclear what Kamiah's expectations were, if Idaho Stage Construction agreed to those expectations, and how Kamiah would monitor compliance with the contract. During the review, we visited the pool project site and found that it was in a dilapidated state.

As we worked to gain a better understanding of the activities that led to the escalation of project expenses from the original contract, finding a lack of grant documents and supporting documentation, we researched press activity around the project. We found several articles referencing the initial plans for pool renovation, plans to open the pool in July 2022 that did not materialize, and follow-up articles tracking the progress and additional funding.

According to an article in the Idaho County Free Press dated August 23, 2023, and updated August 24, 2023, following years of fundraising, grants, donations, and planning, major updates to the Kamiah swimming pool and bathhouse were underway in 2022. However, in the spring of 2023, Kamiah received news that the pool liner failed to adhere to the original plaster surface. Freedom Northwest Credit Union (FNWCU) CEO, Scott Garrett, met with Deputy City Clerk Mike Tornatore to discuss a splash pad location and the pool status and learned of Kamiah's $200,000 shortfall to complete the pool. Scott Garrett then convinced the FNWCU board of directors to approve a donation totaling $500,000 in cash and equipment. This is beyond the

$500,000 already spent by Kamiah. FNWCU created a $435,000 restricted endowment agreement with Kamiah and were also providing splash pad equipment, benches, and signage valued at $65,000. The endowment was stated to be used “exclusively for the improvement, restoration, construction, maintenance and operation” of the pool, splash pad, and surrounding amenities.

Idaho County Free Press reported on June 3, 2025, that it was tracking Kamiah City Pool progress. In the article, it stated that Deputy City Clerk Mike Tornatore addressed the status of the city pool and that City Clerk/Treasurer Teri Brenneis confirmed there was approximately $440,000 in the dedicated pool fund at FNWCU. Mike Tornatore was quoted as saying, “I have assembled a team that knows how to do this and get it done right. We’ll get this money raised, and we’ll have a real showpiece for Kamiah.”

As of our visit to Kamiah in June 2025, the pictures below document the state of the pool.

Recommendation

- We recommend that Kamiah implement internal controls to ensure all phases of the project are properly contracted and that those contracts are properly monitored for compliance with the terms and conditions and to ensure the safeguarding of city assets, such as the municipal pool.

Fraud Consideration:

The facts identified during this review, which include an over-spent contract, a significant amount of funds expended, the lack of documentation to support project goals, and no evidence of a functioning asset indicates the possibility of fraudulent activity.

MANAGEMENT'S RESPONSE

The City of Kamiah has had several changes occur since the time periods covered in the investigation, and since the investigation team interviewed city personnel. The City hired a new city attorney in July of 2024. Former Councilmember Genese Simler became Mayor in January of 2026. In February of 2026, the City Council, on recommendation of the Mayor, voted unanimously to remove the City clerk from her appointment. The City has engaged accounting firm Abdo Financial Solutions to perform ongoing treasurer duties after an initial in-house reconciliation and current-state determination. The city has now hired a utility billing clerk to separately handle utility billing duties, and the city is actively seeking a permanent city clerk as the interim clerk transitions to a contract-only grant consultant position.

Prior to receiving this report, the City had identified many of the noted deficiencies and had begun taking steps to implement many of the mentioned recommendations. The city completed one of the prior years' outstanding audits, and had begun reviewing its utility rates and resolutions to begin the process of formally accounting for and documenting interdepartmental loans from water and wastewater funds. In addition, an outside accounting firm was engaged to review the City's financial position and offer recommendations on best practices moving forward.
Beginning on October of 2025, Nichols Accounting was engaged to assist the City of Kamiah in reviewing financial operations, accounting practices, and internal controls. The work performed was focused on understanding current processes, identifying gaps, and assessing risks related to the City's financial management. The firm did not perform an audit. The following information is paraphrased from their report:

The firm conducted the following activities from October 2025 through January of 2026:
Met with City Council members, management, and key personnel to understand operations and concerns
- Reviewed existing accounting records, reports, and supporting documentation
- Evaluated bank reconciliation processes and cash activity
- Assessed credit card usage and reconciliation procedures
- Reviewed ambulance revenue processes and accounts receivable reporting
- Evaluated grant revenue tracking and reimbursement practices
- Reviewed accounts payable, vendor balances, and potential liabilities
- Assessed payroll activity and reconciliation to cash
- Reviewed bond, loan, and utility billing relationships
- Evaluated interfund balance tracking
- Reviewed budgeting processes and budget presentation practices
- Identified gaps in internal controls and accounting software usage
- Provided observations, risk identification, and preliminary recommendations to City leadership

The firm tendered a review letter on February 2, 2026. Overall, their review determined that the City is facing more significant challenges than initially anticipated. These challenges primarily fall into two areas: organizational coordination and governmental accounting practices. While City staff were, at the time of the review, making good-faith efforts under difficult circumstances, the lack of dedicated municipal accounting expertise resulted in weaknesses in recordkeeping, reconciliations, and financial oversight. Although the firm's procedures were not

designed to identify fraud or intentional wrongdoing, they did not encounter any indications of such activity. However, the lack of consistent controls and review processes increases the City's vulnerability and should be addressed. Key observations include delays in bank and credit card reconciliations, limited tracking of grant revenues and interfund balances, outdated bond and loan schedules, and inconsistencies between payroll records and cash activity. In several areas, processes are informal or incomplete, which increases the risk of errors and limits the City's ability to make informed financial decisions.

The firm tendered the following recommendation in February of 2026, prior to the city's receipt of the State preliminary report.
Based on the work performed and observations to date, the firm offered the following recommendations for City Council consideration:
• Establish clear priorities regarding financial remediation focusing on stabilizing current operations
• Ensure ongoing accounting functions are performed by personnel with municipal and fund accounting expertise
• Implement consistent, timely reconciliation processes for bank accounts, credit cards, and payroll
• Formalize procedures for grant tracking to ensure eligible expenditures are fully reimbursed
• Improve tracking and documentation of interfund balances, liabilities, and long-term debt
• Strengthen budgeting processes to align spending authority with available resources
• Enhance internal controls and reporting to support transparency, audit readiness, and informed decision-making
• Set clear job responsibilities within the city office for each staff member

Partially because of the weaknesses identified in the report, the City removed city clerk Teri Brenneis to enable the city to move forward in getting bank reconciliations and timely expenditure reports to the city council for their approval, and to be able to timely move forward in overall accounting corrections and formalizing certain internal procedures.

The City reached out to several accounting firms to seek proposals for accounting services to get an accurate picture of current finances, and to provide ongoing work for the role of city treasurer duties, and to assist in day-to-day activities. The City ended up engaging Abdo Financial services, who rendered an initial analysis, recommendations, and a detailed listing of tasks to be immediately accomplished in preparing for the 2025 audit and to prepare the next fiscal year budget. At the June 10, 2026 City Council meeting, the City Council authorized the engagement of Abdo Financial Solutions to accomplish these tasks, beginning immediately.

Abdo has now begun the following tasks:

The following next steps are prioritized to address the most urgent needs while establishing a foundation for longer-term process improvements.

1. **Submit Required Transparency and Grant Reports to Secure Funding (Highest Priority)**
Transparency reporting activities should be addressed in parallel with audit preparation to avoid funding delays. Key actions include:

• Identify and compile all outstanding information required for transparency and regulatory reports required to maintain eligibility for current and future funding.
• Reconcile reported figures to the general ledger to ensure consistency and accuracy. • Submit all required reports by statutory deadlines.
• Establish a tracking calendar for future reporting requirements to prevent missed deadlines.
Timely submission of transparency reports is critical to sustaining funding and maintaining public trust.

2. Complete All Outstanding Bank Reconciliations
The next step is to bring all bank reconciliations current for all operating, payroll, and investment accounts. Accurate and timely bank reconciliations are foundational to reliable financial reporting, audit readiness, fraud detection, and informed decision-making. Key actions include:
• Assign responsibility for bank reconciliations to a single position with appropriate oversight by a supervisory role.
• Reconcile all bank accounts through the most recent month-end, investigating and resolving reconciling items, unsupported adjustments, and long-outstanding variances.
• Ensure reconciliations are formally reviewed and documented on a consistent basis.
• Establish a recurring monthly reconciliation schedule going forward to prevent future backlog.
Completion of bank reconciliations should occur before any significant audit preparation, financial reporting, or budget development activities proceed.

3. Stabilize the General Ledger and Catch Up the Current Fiscal Year
Once bank reconciliations are current, attention should shift to stabilizing the general ledger and ensuring the current fiscal year is fully posted and supported. Key actions include:
• Review the general ledger for missing entries, misclassifications, and unsupported journal entries.
• Post all required accruals, corrections, and reclassifications necessary to present financial activity.
• Ensure subsidiary records, including accounts receivable, grant tracking schedules, and cash balances, agree to the general ledger.
• Prepare interim financial statements to confirm completeness and accuracy.
This step is critical to establishing a reliable baseline for audit preparation, grant reporting, and budget development.

4. Prepare for the 2025 Audit
Audit preparation should begin only after core records are stabilized. Early preparation will reduce audit delays, minimize audit adjustments, and lower audit costs. Key actions include:
• Assemble audit-ready schedules, including cash, receivables, payables, grants, capital assets, debt, etc.
• Confirm that prior-year audit findings have been addressed or that corrective action plans are documented.
• Identify documentation gaps early, particularly in areas such as bank reconciliations, grant compliance, and journal entry support.
• Designate a primary audit liaison to coordinate requests and communication with external auditors. Proactive audit preparation will reduce disruption to daily operations during the audit fieldwork period.

5. Develop the Upcoming Budget Using Stabilized Financial Data
Budget preparation should leverage the corrected and reconciled financial information to improve accuracy and credibility. Key actions include:
• Use updated actual results as the baseline for revenue and expenditure projections.
• Clearly document assumptions, one-time items, and known financial pressures.
• Align the budget with operational priorities, grant requirements, and long-term sustainability considerations.
• Provide clear and understandable budget materials to the Mayor and City Council.
A budget built on reliable data will improve forecasting, accountability, and strategic planning.

6. Transition from Catch-Up Mode to Ongoing Compliance
After urgent items are addressed, the focus should shift from remediation to sustainability. Key actions include:
• Formalize monthly and annual close procedures.
• Establish clear roles, responsibilities, and review controls.
• Reduce reliance on manual and ad hoc processes where possible.
• Develop a prioritized roadmap for longer-term process improvements identified in this evaluation.
This transition is necessary to prevent recurring backlogs and to support a stable, well-controlled finance function.

A team from Abdo will be on site in Kamiah City Hall to perform these functions.

To respond to the specific recommendations and concerns in this report, the City provides the following responses in addition to the steps it has already taken as identified above.

Copied below are the recommendations and considerations for each of the 8 areas considered in the report, with the City's accompanying responses.
Report Recommendations # 1
• We recommend that Kamiah improve its system of internal controls to provide better assurance that they have accurately recorded financial transactions that are supported by appropriate documentation and in compliance with applicable laws, rules, and regulations.
• We also recommend that Kamiah define the roles of employees and cross train employees where appropriate.
City Response: The City has moved personnel and changed some roles; it has moved Mr. Tornatore temporarily into the role of interim city clerk while the mayor finds a permanent appointee to fill the city clerk role; as noted above, the City has engaged the services of Abdo Financial Solutions, a Minnesota based financial accounting firm with extensive experience in local government accounting to fulfill the duties of city treasurer, separating the clerk and treasurer functions; the city has hired a part-time utility billing clerk to handle all utility billing functions separate from the clerk or treasurer.
Fraud Consideration:
Based on the information provided by City Clerk Teri Brenneis and acting Mayor Dale Schneider, it is possible that supporting documentation for financial transactions was not just missing but purposely removed from the possession of Kamiah. The removal of the supporting documentation could have been done to conceal fraudulent activities.

City Response: While it is *possible* supporting documentation was purposely removed, after review of the circumstances the City believes it is more likely that the documentation was simply mislaid or inadvertently discarded, particularly with respect to still remaining city staff and the former Clerk.

Report Recommendations #2

• We recommend that Kamiah design and consistently implement internal controls for expense transactions and ensure that financial transactions are supported by appropriate documentation.
• We recommend that Kamiah consider requiring a documented approval of all city related transactions.
• We recommend that Kamiah retain documentation of the City Council's approval of expenses at a level of detail that can be verified by independent individuals.

City Response:

As noted above, the Mayor immediately implemented a strict receipt control program, requiring submission of all receipts. In addition, the Mayor now prepares a full packet of supporting documentation for all expenses to be approved by the city council.

Fraud Consideration

The level of missing documentation across all financial transactions reviewed is very concerning. We were unable to determine if the missing documentation was due to incompetence or fraudulent activities, but it does call into question the integrity of many transactions. Reimbursements to city employees without proper supporting documentation could be construed as noncompliance or possibly fraudulent activity.

City Response:

To date, the city has found no evidence of actual fraudulent activity related to this period of missing documentation.

Report Recommendations # 3

• We recommend that Kamiah design and implement internal controls to ensure bank reconciliations are documented and completed timely to safeguard city assets.
• We recommend that Kamiah implement internal controls to document a supervisory review of all LGIP transactions to ensure that Kamiah assets are safeguarded.
• We recommend that Kamiah develop a policy for credit card use and require supporting documentation for all purchases. Further, the mayor and city clerk should discuss these activities monthly with the City Council and obtain documentation of the City Council's approval for actions when necessary.

City Response:

As stated above, the City has implemented or is actively in the process of implementing these recommendations through actions taken by the mayor and the engagement of Abdo Financial Solutions to perform the treasurer role on an ongoing basis. LGIP transaction review is part of their initial taskings to assist in documenting intergovernmental fund transfers.

Fraud Consideration

The fact that documentation is unavailable to support the credit card purchases could indicate incompetence or fraud. Particularly, the purchases completed using the city's credit card could very likely be for personal use rather than a business purpose.

City Response:
Upon assuming the role of Mayor, Mayor Simler froze all financial accounts to prevent access by the former clerk. This freezing included all credit cards, and required individual card users report to her to have them reactivated, with instructions regarding returning all receipts for all transactions each day.

Report Recommendations #4:
Recommendation
• We recommend that Kamiah implement internal controls to ensure all payroll changes and transactions are reviewed by others independent of the city clerk, including the mayor and City Council.
• We recommend that Kamiah require that every employee time sheet be reviewed and approved by their supervisor for every pay period.
• We recommend that Kamiah provide a copy of the personnel policy to all employees and that the policies are consistently followed, including documented approvals of pay changes and leave time usage. Kamiah should retain documentation of explicit City Council approval for all pay increases.
City Response:
Upon assuming her role as Mayor, Ms. Simler has taken control of all payroll and hiring approvals. As the chief administrative official of the city and statutorily having the superintending control of all the officers and affairs of the city, Mayor Simler actively reviews all payroll submissions, must approve all leave and vacation requests, and must approve all payrolls. She also ensures full payroll listings are presented to the city council for approval, along with fully itemized payables for approval.

Fraud Consideration
We believe that the lack of documentation, lack of segregation of duties, and lack of required approvals for wage increases, vacation payouts in excess of vacation earned, and city payments for employee-based benefits indicates the possibility that payroll fraud occurred.
City Response:
After review of the report and some of the transaction referenced, the City has not found any evidence that intentional fraud occurred, but the City had, prior to receiving this report, taken steps including segregation of duties, personal supervision by the Mayor over all payroll related activities, including approval of any wage increases and vacation time.

Report Recommendations #5
• We recommend that Kamiah implement internal controls to ensure all financial audits are completed in a timely manner in compliance with Idaho Code, Section 67-450B.
• We recommend that Kamiah implement internal controls to ensure that budgets are realistic for revenues and expenses and are properly monitored for compliance.
• We recommend that Kamiah work with bond issuers to ensure that loans and transfers between funds on the financial statements are appropriate and compliant with bond covenants.
City Response:
The City's bond counsel, of the same firm as the City's current legal counsel, has been engaged to prepare the appropriate intergovernmental fund transfer and loan documentation to account for

the prior spending from those funds. In addition, as part of the budgeting process, the City will begin allocating repayments to those funds each fiscal year going forward.

Report Recommendations #6

• We recommend that Kamiah implement internal controls to segregate duties in the utility billing and receipting process including the input of utility rates, monthly billings, receipting, deposits, adjustments, and reconciliations.
• We recommend that Kamiah cross train the city clerk and the deputy city clerk to provide oversight and to allow for business processes to continue during the absence of an employee.

City Response:

The City has hired a part-time utility billing clerk and will continue to keep this a separate employee from the City Clerk and treasurer roles. When the new city clerk is appointed, that person will also be cross-trained in the utility billing system to provide backup and also to provide oversight and review of the utility billing system to prevent errors.

Fraud Consideration

The lack of segregation of duties in the utility revenue process significantly increases the risk that fraud could occur. Given the current process, the deputy city clerk could intentionally enter incorrect rates, meter readings, and adjustments. In addition, the deputy city clerk could adjust customer accounts to hide the theft of cash received. The lack of bank reconciliations, as noted in the testing of general expenditures, further increases this risk. Adjustments could be intentionally made to customer accounts to inappropriately gain influence.

City Response:

The city has no evidence that fraud took place in the utility billing system. While there had been occasional forbearance of nonpayment shutoffs in some instances, all amounts due and payable for utility usage appear to be appropriately recorded. Because this potential for fraud is serious, the city has corrected or is in the process of implementing correct practices to minimize the risk going forward.

Recommendations #7

• We recommend that Kamiah consider completing a cost-benefit analysis of the grantwriting contract with MFT Inc. to ensure it is a sound business practice for Kamiah.
• We also recommend that Kamiah establish a policy for employees who also contract with the city so that contracting activities are clearly delineated to avoid legal scrutiny from the grantor or the Internal Revenue Service.

City Response:

The City is in the process of transitioning the grant writer from city employment to being a contract-only vendor, with detailed monthly billing to account for time spent on grant-related contract activities. The city anticipates this transition to be complete upon the appointment of a permanent full-time city clerk. The city has taken the position it will no longer allow city employees to also separately contract with the city and will formalize this policy with a revision to its employee handbook.

Recommendation #8

• We recommend that Kamiah implement internal controls to ensure all phases of the project are properly contracted and that those contracts are properly monitored for compliance with the terms and conditions and to ensure the safeguarding of city assets, such as the municipal pool.

City Response:
The City's legal counsel is now regularly consulted during contract processing, and will be readily available to advise the City as to the sufficiency of any future contracts in consultation with engineering and other professionals involved in the contracts and to insure the City Council approves any change orders and that warranty inspections are timely completed prior to final payments.

Fraud Consideration: The facts identified during this review, which include an over-spent contract, a significant amount of funds expended, the lack of documentation to support project goals, and no evidence of a functioning asset indicates the possibility of fraudulent activity.
City Response:
The City's current legal counsel has reviewed email and other correspondence between the city's prior legal counsel and various persons connected with the project after its failure. The correspondence regards various legal options and the viability of various remedies, including some offers of settlement and other negotiations. There were no indications of fraud or even suspected fraud in those communications. Since that time, the City has learned the prior contractor is no longer in business and the tenor of the legal communications reviewed leads the City to believe the company was mismanaged, is no longer solvent, and that pursuit of purported overpayments would be fruitless given the potential cost of pursuing them.

The Kamiah City Council met in executive session on June 22, 2026 to review this response and after leaving executive session, voted to approve it as the City's Management Response.

/S/
Genese Simler
Mayor, City of Kamiah

/S/
Geoffrey A. Schroeder
Legal Counsel, City of Kamiah