

Members of Council  
Administration

I wanted to take a few moments of your time to provide an update on the state of the city Auditors Office. I was appointed to fill the vacancy on November 29, 2021. Since that time, I have worked diligently with the Auditor of State to compile the annual financial statements of the City for 2020. Unfortunately, due to the failure of the former Auditor Robert Landon the City has faced many consequences from his failure to perform the duties as Auditor.

First, the penalties and interest which amounts to just shy of \$160,000.00 with the failure to pay the Internal Revenue Service is still an ongoing issue and is under appeal with a third party Tax Attorney representing the city. At this time there is no additional information to provide, however, I will keep you posted as the matter develops.

The second and foremost consequence was the lack of record keeping and balancing of the city financial records in accordance with the Fiscal Integrity Act and GAAP Principles. This has made the task of compiling complete financial records impossible. Currently, I do have a draft of the financial statements and they are being audited at this time.

With the delay of the financial statements, there has been an even further delay in the Audit for 2020. The audit was originally due by September 30, 2021 and was delayed by the Federal Audit Clearinghouse until March 31, 2022. I have spoke with Justin of the Auditor of States Office and he has stated that the goal was to finalize the 2020 Audit by April 30, 2022. With that being said, the City is late in filing the required Audit with the Federal Clearinghouse. This is a major problem for the grants the city receives and could result in further issues with new grant applications.

With the 2020 Audit potentially being finalized by the end of April, this does delay the 2021 Audit. The 2021 Financial Statements cannot begin to be prepared until the finalizing of the 2020 Audit. I will be requesting an extension for the financial statement filings. The 2021 Audit is due no later than September 30, 2022 with the Federal Audit Clearinghouse. I do not know if there would an extension granted for the 2021 Audit. I will continue to work with our Auditors to complete the audit as timely as possible.

The Third issue and consequence from Auditor Landon's missteps, is a lack of the city paying bills on time and to the correct entities. We have discovered this has happened all too frequently. Employees who reside in the Ridgedale local school district had their correct amount withheld for the income tax, however, these amounts were not paid to Ridgedale they were paid to River Valley. This was not discovered until after the W-2's were issued for 2021 in January of 2022. There were 23 employees affected by this lack of payment to the correct entity and most have suffered a penalty for not paying the tax as they should have. This is not the fault of the employee rather the fault of the prior Auditor Landon. I will be bringing forth an appropriation to repay the employees the penalties they have incurred due to this error.

Finally, the City is going to face dire consequences from the lack of competency shown by the former Auditor. I have received notification from the City's rating agency that if they do not have the

2020 Audit by the end of the week they will likely move forward with putting the city on CreditWatch and the potential of withdrawing the credit rating of the city.

This will mean that the city will pay a higher interest rate and our investors with our bonds could become nervous. With that in mind, it could very well mean that bonds could be called and we would need to reissue the debt at a higher rate. I am working with our bond counsel to keep this at bay but this could be another potential consequence of the inaction of the former auditor.

Unfortunately, there is no good news to provide you at this time, but we will continue to work through each and every issue as they are presented. The before mentioned issues are everything we have discovered as of now, and I am determined to work hard and focus the city back on the path to stability and restore the credibility of my office.

I want to thank the Members of Council and the Administration for continued support and guidance as we move the city forward.

Sincerely,

Miranda Meginness