

CITY OF GEARHART

Staff Report

For City Council Meeting - 1/7/2026

Subject - New Business - Audit Compliance

Synopsis: As mentioned in Accuity's report, an area of improvement noted was the City's organizational structure. This is a common finding in smaller organizations where employees have many roles and there are limited financial resources.

A response to the State regarding this type of finding is required. With guidance from Accuity and City Council's acknowledgement, the City will submit the required response to the Oregon Secretary of State Audits Division.

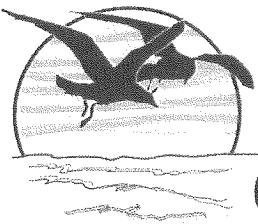
Recommendation: By consensus, City Council acknowledges the reported audit deficiency of "Organizational Structure" and approves internal controls to assist in providing reasonable assurance of compliance, transparency, and prevention of fraud.

Legal Analysis: N/A

Financial Analysis: N/A

Respectfully Submitted,


Justine Hill
City Treasurer



CITY OF GEARHART

January 8, 2026

Oregon Secretary of State
Audits Division
255 Capitol St. NE, Suite #180
Salem, Oregon 97310

Plan of Action for City of Gearhart Municipality

The City of Gearhart staff respectfully submits the following corrective action plan in response to the deficiency reported in our audit of fiscal year ended June 30, 2025. The audit was completed by the independent auditing firm Accuity, LLC and reported the deficiency listed below. The plan of action was approved by the governing body at their meeting on January 7, 2026 as indicated by signatures below.

The audit deficiency is listed on the back page of this letter; the approved plan of action and timeframe for each is listed below.

1. Deficiency 1 – *Organizational Structure*

- a. City staff are aware of the potential control deficiency due to our limited number of staff. The City is unable to add additional staffing due to fiscal constraints.
- b. City staff will continue to adhere to already established internal controls to assist with providing reasonable assurance of compliance, transparency, and prevention of fraud. City staff are required to provide monthly reports (e.g., *Revenue vs Expenditure; Check Detail; Gross Salary*) for the City Council to review, which are also available to the public. City staff work diligently to establish segregation of duties coupled with procedural controls. Functions are separated to the best of our ability and monitored on a regular basis.

Kerry Smith, Mayor

Chad Sweet, City Administrator

Justine Hill, Treasurer

Findings:

1. Organizational Structure

The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that City Councilors remain involved in the financial affairs of the City to provide oversight and independent review functions.