

Personal and Confidential

December 22, 2014

Mr. Kirk Bybee
Chief Civil Attorney / Risk Manager
City of Pocatello, Idaho
911 N. 7th Ave
Pocatello, ID 83201

RE: Street Department – Outside Projects

Dear Mr. Bybee,

We have conducted a fraud examination concerning a possible misappropriation of assets of City of Pocatello, Idaho. This examination was predicated upon a report alleging improprieties on the part of City of Pocatello Street Department.

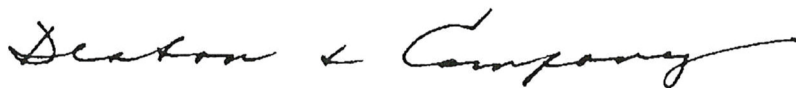
Our examination was conducted in accordance with lawful fraud examination techniques, which include, but are not limited to, examination of books and records, voluntary interviews with appropriate personnel, and other such evidence gathering procedures as necessary under the circumstances.

During our examination we discovered The City of Pocatello paid a minimum of \$15,773.50 in labor for the benefit of other municipalities outside the city limits. The City also had normal wear and tear during the additional use of equipment which was not quantified.

The determination of who ultimately authorized the above use of labor and equipment could not be confirmed. The determination of individuals or entities (other than the employees, of the City of Pocatello, being paid for their labors, and the outside municipalities receiving street services), receiving an increase or benefit from the use of the City of Pocatello's labor and equipment was also inconclusive.

Although there appears to be an abuse of authority, because of the nature of fraud, no assurances can be given that fraud does not exist. However, based upon the results of our examination (see attached report), there is currently insufficient evidence to support the conclusion that assets were misappropriated.

Very truly yours,



Deaton & Company, Chartered