



*Date:* October 10, 2007

*To:* Rick Lusk, Finance Director

*From:* Internal Audit

*Subject:* Operating Department's Declines in Revenue

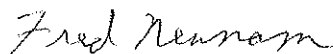
Internal Audit performed an analysis of operating departments' revenue accounts to ensure that operating departments are aware of reductions in revenues and the reasons for those reductions. The analyses covered the fiscal periods ending June 30, 2005 through June 30, 2007. Individual departments were supplied an analysis when revenues were reduced in excess of 10% or \$100,000 from one year to the next. The departments reviewed their applicable analysis and submitted a response to Internal Audit. Internal Audit reviewed the replies to determine whether the departments were responding in a logical fashion and to the questioned reductions in revenue.

We believe this is a valuable tool for the departments and for Internal Audit to focus on areas that need further attention.

The Collections Department reply indicates that the decrease was due to not having a staff member to do discovery, audits and outside collection (field) efforts. Since they got an employee in August 2006 the revenue accounts are steadily increasing in the category for all four privilege licenses revenue accounts.

The efforts of the individual departments to respond to this analysis are greatly appreciated. We recommend that the departments continue to be alert to reductions in their revenues and use this tool and other means as an aid in quickly identifying prospective problems.

If there are questions regarding this analysis or our evaluation of replies, or if there are areas you would like for us to add to our work plan, please let us know. We can be reached at 373-2230.

  
Fred M. Newnam  
Internal Auditor

  
Len Lucas  
Internal Audit Director

CC: Mitchell Johnson, City Manager  
Ben Brown, Assistant City Manager Economic Development





Date: September 18, 2007  
To: Rick Lusk, Finance Director  
From: Internal Audit  
Subject: Revenue Analysis

Internal Audit is performing an analysis of revenue accounts throughout the City to ensure that departments are aware of reductions in revenues and reasons for those reductions. We have developed a spreadsheet showing Collections Revenue changes for the last two years. The spreadsheet shows account name, account number, actual revenue for years 2005, 2006, and 2007, the dollar change for 2005/6, and the percentage this was using the prior year revenue as the base. The changes in revenue dollars and percentage changes are, also, shown for the year 2006/7. The accounts we are requesting written information for are numbered on the right side of the spreadsheet, under a column labeled accounts to review. The darkened areas are where revenues decreased 10% or more from the prior year basis or in excess of \$100,000 if not 10% or more. These indicate the periods for which we are requesting information.

We are requesting that the Collections Department review the revenue analysis and provide Internal Audit information concerning the decreases in revenue. The information should include performance indicators; comparisons of related data that produces the revenues, changes in collection procedures, changes in fee structure, etc.

If we can assist you in this review please contact us at 373-2230.

  
Fred Newnam  
Internal Auditor

  
Len Lucas  
Internal Audit Director

cc: Mitch Johnson, City Manager  
Ben Brown, Assistant City Manager Economic Development

**COLLECTIONS INCOME REVENUE COMPARISONS**  
2005-2007

**PRIVILEGE LICENSES**

101-1005-01.7201,02

**Collections**

		2007 ACTUAL	2006 ACTUAL	2005 ACTUAL	2007/6 CHANGE	2007/6% CHANGE	2006/5 CHANGE	2006/5% CHANGE	ACCOUNTS TO REVIEW
PENALTIES ON PRIOR YEAR LICENSES	0.7203	\$8,304	\$6,804	\$5,811	\$1,500	22.04%	\$993	17.09%	
PRIVILEGE LICENSES PRIOR YEARS	0.7201	\$48,750	<b>\$20,686</b>	<b>\$24,024</b>	\$28,064	135.67%	<b>-\$3,338</b>	<b>-13.90%</b>	1.00%

Accounts category decreased in total over \$100,000, OR 10% . Need written explanations for these

THERE APPEARS TO BE ONE ACCOUNT TO REVIEW AND PROVIDE A WRITTEN EXPLANATION FOR.

**Lucas, Len**

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**From:** Koontz, Patti  
**Sent:** Wednesday, September 26, 2007 11:39 AM  
**To:** Lucas, Len; Newnam, Fred  
**Cc:** Druga, Marlene; Lusk, Rick; Childress Teresa; Revis, Carolyn  
**Subject:** Revenue Analysis - Internal Audit - 2007.doc  
**Attachments:** Revenue Analysis - Internal Audit - 2007.doc

FYI

9/26/2007

**Date:** September 26, 2007

**To:** Len Lucas, Internal Audit Director  
Fred Newnam, Internal Auditor

**From:** Patti Koontz, Collections Manager

**Subject:** Revenue Analysis - Memo to Rick Lusk, Finance Director, dated 9-18-07

As reported in the Revenue Analysis response dated April 26, 2006, staff turnover (7 employees since 2001 in the privilege license section alone, including retirement of the supervisor in 2006) has been a major factor in the decline of privilege license revenues in the last several years leading up to FY07. In April 2006, we were granted approval of a position that was subsequently filled in August 2006, bringing the Privilege License Section up to full capacity. The majority of prior year licenses and penalties are collected as a direct result of discoveries, audits and outside collection (field) efforts, *outside the scope of the day-to-day operation*; therefore, no significant amount of collection effort can be placed on these activities when operating at less than full capacity.

By the end of December, 2006 more emphasis was placed on increasing privilege license revenue and as reflected in FY07 statistics, revenue made a steady incline exceeding projections for FY07 in all four revenue accounts (.7200, .7201, .7202 and .7203). The Collections Division will continue making discoveries, audits and field surveys a priority with the goal of meeting or exceeding projected revenue in these areas.

If I can assist you further or if you have additional questions, please contact me at x2310.





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To: Rick Lusk, Finance Director  
From: Internal Audit  
Subject: Revenue Analysis

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Internal Auditor

  
Len Lucas  
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cc: Mitch Johnson, City Manager  
Ben Brown, Assistant City Manager Economic Development

**COLLECTIONS INCOME REVENUE COMPARISONS  
2005-2007**

**PRIVILEGE LICENSES**

101-1005-01.7201,02

Collections

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**COLLECTIONS DEPARTMENT REPLIES TO REVENUE DECREASES-  
2005-2007**

<b>PRIVILEGE LICENSES</b>		<b>Accounts To Review</b>	<b>DATE OF REPLY</b>	<b>ACCEPT REPLY</b>	<b>REPLY ACCEPTED</b>
101-1005-01.7201,02 Collections					
PENALTIES ON PRIOR YEAR LICENSES	0.7203				
PRIVILEGE LICENSES PRIOR YEARS	0.7201	1	9/26/2007	10/10/2007	Decrease was due to not having a staff member to do discovery audits and outside collection field efforts. Have new staff as of August 2006 so revenue should increase for all four privilege licenses revenue accounts.

THERE APPEARS TO BE ONE ACCOUNT TO REVIEW AND PROVIDE A WRITTEN EXPLANATION FOR.  
REPLY SUCCINCT AND TO POINT EXPLAINS FULLY THE PROBLEM.