



Date: September 1, 2006
To: Rick Lusk, Director Financial and Administrative Services
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, 2002 through June 30, 2005. 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. One of the departments (Parks and Recreation) requested a review of operations at Hagan Stone Park based on our analysis and their revenue records for the same period. We will review the collection procedures and internal controls at Hagan Stone based on their request to determine why there were apparently differences in the general ledger and the revenue reports generated by that location.

The following narrative will be a summary by department, of our findings and conclusions based on responses received from the various departments.

FINANCE DEPARTMENT:

Privilege licenses revenues for prior years licenses and penalties were down due to no longer having staff for proactive fieldwork. The collections department received approval to hire for this work and a Permits Technician job was advertised in May 2006, so this revenue stream should improve in the future.

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 Newnam

Fred M. Newnam
Internal Auditor



Len Lucas
Internal Audit Director

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

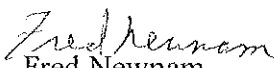


Date: April 10, 2006
To: Rick Lusk, Finance Director
From: Internal Audit
Subject: Revenue Analysis

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 four years. The spreadsheet shows account name, account number, actual revenue for years 2005, 2004, 2003, and 2002, the dollar change for 2004/5, 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 years 2003/4, and 2002/3. 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

Date: May 2, 2006

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 April 10, 2006

As reflected on the attached spreadsheet, there has been a marked decline in **prior year** privilege license revenues since 2002 due to the following:

In late FY01, the Collection Division employed retiree, Doug White, as an outside delinquent revenue field agent to enhance collection efforts. In FY01 and FY02, the majority of his time and expertise was devoted to verifying privilege license compliance and the subsequent discoveries. During this same timeframe, another part-time intern was hired to assist the privilege license section. Since Doug White's passing in 2002 (FY03) and staff turnover (7 employees since 2001 in the privilege license section alone), the Collections Division has been without the benefit of staffing resources to concentrate efforts in this area. The majority of prior year licenses and penalties are collected as a direct result of discoveries, audits and outside collection (field) efforts, therefore, the decrease from FY02 to FY03. The trend continued into FY03 and FY04 and since the privilege license section has remained short-staffed due to staff turnover, the end result has been that no significant field, discovery or audit work has been performed since mid FY02.

The Collections Division is well aware of current and previous year revenue projection shortages and is currently taking measures in an attempt to remedy the situation. As of April 6, 2006, we were granted approval for an overhire position in the privilege license section. Once this position is filled and the employee has been properly trained, privilege license discoveries and audits, including field surveys and delinquent collection efforts, will be a priority for the Collection Division.

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