



Office of the City Auditor

## INFORMATION CALENDAR

November 9, 2004

To: Honorable Mayor and  
Members of the City Council

From: Ann-Marie Hogan, City Auditor

Subject: Business License Tax Program Audit Report For Fiscal Year 2004

### INTRODUCTION

The attached Business License Tax Program Audit Report identifies the Business License tax revenue identification efforts and accomplishments of the Auditor's Office during fiscal year 2004.

In the past, the Auditor's annual Business License Tax Program Audit Report included our accomplishments in Business License revenue identification as well as audit findings and recommendations resulting from conditions observed during the course of our audit work. Beginning in fiscal year 2002, we changed the scope of our program, eliminating the on-going audit of Finance's Business License Tax operations.

Finance is continuing to periodically report to Council regarding the implementation status of past audit recommendations. As we do with other audits, at some future date we will conduct a follow-up audit of Business License Tax operations.

### CURRENT SITUATION AND ITS EFFECTS

Business License Tax Program audits resulted in 17 businesses being billed a total of \$125,070 during fiscal year 2004. \$133,038 was collected during the fiscal year, including \$82,981 from prior year billings.

Since inception of the program in 1982, auditors have identified revenues totaling \$4,537,588. Additionally, since non-compliant businesses will often pay the correct tax after the audit, the identified revenue is not a one-time windfall, but generally becomes part of the future revenue stream.

For each \$100,000 identified by audit, about \$18,000 in additional revenue can be expected for each future year, as long as the audited businesses continue to generate consistent sales. This would result in over \$22,000 annually in addition to the one time revenue of \$125,070.

POSSIBLE FUTURE ACTION AND FISCAL IMPACTS

The auditors intend to continue to allocate staff resources to identify underreporting and unlicensed businesses. Although future reductions to the audit budget will affect the number of staff hours devoted to revenue audits, continuous improvement of audit techniques, and the installation of more sophisticated audit software, should enable the auditors to continue to provide audit services with, on average, significant benefits compared to costs.

CONTACT PERSON

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Approved:

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Ann-Marie Hogan, City Auditor  
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