

# EXECUTIVE SUMMARY

## Revenue Recovery Auditing Implementation and RFP Considerations

---

### OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

---

**Date Issued:** June 3, 2011

**IBA Report Number:** 11-32

**Audit Committee Docket Date:** June 6, 2011

**Item Number:** 3

---

The Audit Committee has received reports from the Office of the City Auditor regarding potential revenue opportunities associated with recovery revenue auditing. In particular, the City Auditor has suggested a focus on accounts payable, reverse sales tax and municipal court revenue.

On May, 2, 2011, the Audit Committee recommended: 1) City Council effect the creation of a robust revenue recovery audit program in the City and include a recovery audit provision in the FY 2012 Budget; 2) the IBA prepare a report on revenue recovery auditing services for the Audit Committee; and 3) the City Council consider directing the IBA to issue an RFP for revenue recovery audit services.

Based on feedback received from City Council Budget Priority Memoranda, the IBA has recommended consideration be given to budgeting \$500,000 in revenue for FY 2012 tied to the implementation of revenue recovery auditing. We made this recommendation acknowledging it is difficult to predict in advance the amount of revenue that might result from these audits. If the Council elects to budget this revenue in FY 2012, it will be important that the identified recovery auditing processes begin as soon as possible.

In her April 29<sup>th</sup> memorandum to the Audit Committee, the CFO indicated her staff would conduct an audit of the County's court fee revenues in FY 2012. She further indicated that her staff was planning to undertake a combined accounts payable and reverse sales tax audit in June 2012. Given the planned timeframe for these audits, it is unlikely \$500,000 of budgeted recovery auditing revenue can be realized in FY 2012 unless the audit of court fees were to begin early in the fiscal year and identify significant errors in favor of the City.

The IBA has identified and made contact with several outside audit firms providing revenue recovery audit services. Most of these firms specialize in revenue recovery auditing with a focus on accounts payable audits. Based on our conversations with these audit firms, we believe several are qualified to perform revenue recovery auditing for the City and would be interested in responding to an RFP. If directed to prepare an RFP, the IBA will work with City staff to expeditiously select an outside auditor to perform an accounts payable audit; however, it will be imperative that our Office have support from key City staff if the resulting audit is to be successful.