



Office of the City Manager

INFORMATION CALENDAR

December 19, 2017

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Henry Oyekanmi, Director, Finance

Subject: Audit Update - Business License Taxes: Providing Better Guidance and Customer Service Will Increase Revenues

INTRODUCTION & SUMMARY

The audit of the City's Business License program was first submitted to City Council on May 29, 2012. Its objective was to determine if: business licenses were assigned correct tax codes, taxes were accurately calculated, and when appropriate, if penalties and interest were accurately assessed. On June 24, 2014, a first status update was submitted to the Council. This is the second status report related to this audit. The complete "Business License Taxes: Providing Better Guidance and Customer Service Will Increase Revenues Audit" can be found on the City's website at:

<http://www.cityofberkeley.info/ContentDisplay.aspx?id=7236>

CURRENT SITUATION AND ITS EFFECTS

The audit contained 20 recommendations, of which thirteen are fully implemented; six are partially implemented; and one is alternatively implemented as of this report. This information report is the second status report on implementation of these recommendations. The next status report will be submitted to Council in December 11, 2018.

Attachment 1 contains the detailed recommendations, prior responses and an update on the status of implementation efforts to date.

BACKGROUND

The City implemented the current Business License Tax Ordinance in 1977 to raise general fund revenue for municipal purposes, such as funding police and fire services. In Fiscal Year 2011, the year the Business License Tax audit was performed, the general fund received \$13.95 million from approximately 13,000 business licenses. The audit found that current Finance processes and procedures were not congruent with several sections of Berkeley Municipal Code (BMC) chapter 9.04 due to lack of clarity in the BMC and therefore, recommended changes to several sections of the BMC.

ENVIRONMENTAL SUSTAINABILITY

There are no identifiable environmental effects or opportunities associated with the subject of this report.

POSSIBLE FUTURE ACTION

The Finance Department will continue to resolve outstanding Audit recommendations and report back to Council in December 2018.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

Continued and improved collections efforts of delinquent business licenses should result in additional general fund revenues.

CONTACT PERSON

Henry Oyekanmi, Director of Finance, Finance, 981-7326

Attachments

1: Summary of Audit Recommendations and Responses

City of Berkeley
City Auditor's Office
Audit Findings and Recommendations Response Form
[Status Updates for 12/12/17](#)

Audit Title: Business License Taxes: Providing Better Guidance and Customer Service Will Increase Revenues				
Findings and Recommendations	Lead Dept.	Agree, Partially Agree, or Do Not Agree and Corrective Action Plan	Expected or Actual Implementation Date	Status of Outstanding Audit Recommendations and Implementation Progress Summary
Finding: Business License Guidance Is Insufficient and Is Inconsistently Applied				
1.1 In collaboration with the City Attorney and City staff involved in the business license and appeals process, draft recommended language and request the City Council to amend BMC 9.04 to: <ul style="list-style-type: none"> Reword the phrases, "<i>or fraction thereof</i>" and "<i>until paid</i>," so it is clear whether interest should be prorated for payments billed/paid mid- month or if a full one percent of interest should be assessed for any fraction of a month in which an account is delinquent. When selecting the revised language, consider the administrative practicality of implementing it and industry standards for assessing interest. Clarify whether interest should be calculated as simple or compound interest. Clarify whether a closed business is considered delinquent when it files its amended tax declaration more than 30 	Finance, in collaboration with the City Attorney	<p>Agree. Finance will work with the City Attorney to revise the BMC 9.04 to improve guidance and clarify interest calculation; subcontractor definition; and closed business responsibilities. To the extent any of the recommended ordinance amendments might increase any individual's tax liability, this would require voter approval and City management may decide not to implement.</p> <p>Finance is verifying with Accela (new Occupational License software) that daily calculations of interest are possible.</p>	October 31, 2012	<p>Status Update 6/24/14: <u>Implemented – June 2014.</u> An Action Item was sent to Council on June 10, 2014 for the first reading of proposed Ordinance to amend BMC Chapter 9.04. The ordinance amendment addresses bullets one, two, three and four. Once the proposed amendment is passed, Finance will update the business license renewal form and the Amend/Close business license form to reflect the changes to the BMC and to add the suggested wording in bullet four “....the City may verify that claimed deductions are allowed.”</p>

Audit Title: Business License Taxes: Providing Better Guidance and Customer Service Will Increase Revenues					
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<p>days after closing and, if so, whether it becomes subject to the BMC's penalty and interest provisions. While clarifying this requirement, consider whether 30 days is sufficient time to require a business to submit its amended tax declaration or whether the timeline should be lengthened, and amend the timeline if necessary.</p> <ul style="list-style-type: none"> Define "subcontractor" and cite the intent of allowing subcontractor deductions to clarify what may be deducted (e.g., a business that holds a separate business license in Berkeley and therefore pays business license taxes on its own revenues). Require subcontractor lists submitted to include the subcontractors' Berkeley business license numbers. Include language on the business license forms reminding businesses that the City may verify that claimed deductions are allowed. <p>NOTE: If any of the above amendments might increase any individual's tax liability, that amendment would require voter approval.</p>					

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<p>1.2 Submit a request to the Department of Information Technology to reconfigure the FUND\$ Occupational License module so it calculates taxes, penalties, and interest in accordance with BMC requirements. Once that is done, discontinue use of the spreadsheet.</p>	Finance	<p>Agree. A request will be submitted to the Department of Information Technology to reconfigure the FUND\$ Occupational License module as it currently exists. Use of the spreadsheet will be eliminated when this is accomplished. Accela will be configured to calculate taxes, penalties, and interest in accordance with BMC requirements.</p>	February 28, 2013	<p>Status Update 6/24/14: <u>Alternative Implemented – September 4, 2013.</u> Accela Business License software was implemented September 4, 2013. Accela’s Business License software was programmed to calculate taxes, penalties and interest in accordance with the BMC and the spreadsheet that was used to calculate penalties and interest on multi-year delinquent accounts is no longer used by staff.</p>	
<p>1.3 Develop a single set of Finance Department written procedures to provide complete guidance on how to process business licenses and calculate the amount of taxes, penalties, and interest due. Provide copies of the updated procedures and training to staff to ensure all staff involved in the business license process follow the same procedures and provide consistent guidance to businesses. The procedures should:</p> <ul style="list-style-type: none"> • Provide guidance and examples on the date to use as the basis for calculating penalties and interest due for both renewing and closed businesses. • Provide guidance and examples 	Finance	<p>Partially Agree. A single set of written policies, procedures and frequently asked questions will be developed by the Finance Dept. and will be reviewed and approved by the Director of Finance.</p> <p>Finance will work on changing the current procedures to ensure timeliness of the reconciliation process. As part of the implementation of the new business license software, the cash receipts will be posted directly to the business license accounts, which will rectify the reconciliation issue.</p>	December 31, 2013	<p>Status Update 6/24/14: <u>Not Implemented.</u> New policies and procedures will be developed as part of the Accela Business License implementation.</p> <p>Status Update 12/12/17: <u>Partially implemented.</u> The Finance Department will be replacing Accela Business License module after the implementation of the core financials (ERP project). In the interim, Finance has engaged Accela in identifying and improving processes such as accuracy of license status and making the closing process easier, etc. Current policies and procedures are being documented in a comprehensive manual.</p>	

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<p>for the types of subcontractor deductions allowed, how to determine that claimed deductions are appropriate, and the business types allowed to take the deduction. The determination of whether a deduction is appropriate should be based on the definition of "subcontractor" developed under Recommendation 1.1 above.</p> <ul style="list-style-type: none"> • Include sample answers to questions that businesses frequently ask regarding business licenses. • As recommended in previous audits, require written support, including guidance on what constitutes sufficient support, for adjustments related to business license taxes. Revenue Collection staff should return to the initiating staff any adjustments received for input that do not include sufficient support. • rigorous review process to ensure it adequately addresses questions and issues staff encounter while performing business license activities and that staff are clear on how to apply the procedures. • As recommended in previous audits, require evidence of supervisory 					

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<p>review of business license tax, penalty, and/or interest adjustments. Revenue Collection staff should return to the initiating staff any adjustments received for input that have not had supervisory review. Supervisory review should include:</p> <ul style="list-style-type: none"> o Written evidence of the review. o Manager review of large dollar transactions. The Director should establish criteria as to what constitutes a large-dollar transaction. o Documented review of the monthly list of adjustments from the FUND\$ Occupational License module and evidence that the list is used to identify and review all adjustments for necessity and accuracy. <ul style="list-style-type: none"> • Require a supervisor to reconcile, at least monthly, revenue recorded in the general ledger holding account with the payments recorded in the Occupational License module and for management to verify that reconciliations are performed as required. • Run the completed policies and procedures manual through a rigorous review process to ensure it adequately addresses questions and issues staff 					

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<p>encounter while performing business license activities and that staff are clear on how to apply the procedures.</p> <p>1.4 Explore the feasibility of consolidating Finance's business license tax activities into a single unit to minimize the potential for inconsistency in applying business license tax requirements. As part of that process:</p> <ul style="list-style-type: none"> • Clarify staff roles and responsibilities by job title, and • Review and update position descriptions to ensure they include language that appropriately reflects the knowledge, skills, and abilities required to perform the assigned responsibilities, including knowledge of methods of fraud prevention and detection. 	Finance	<p>Agree. The auditing and collection of unreported, underreported and delinquent business license taxes will be the sole responsibility of one division in the Finance Dept.</p>	February 28, 2013	<p>Status Update 6/24/14: Partially Implemented – September 2013/<u>May 2013</u>. Effective September 4, 2013, Revenue Collection staff process all new business license applications and Treasury/Counter staff no longer process new business license applications for walk-in customers; Revenue Collection staff are available for walk-in customer questions and assistance regarding business licensing. Effective May 2014, the Senior Field Representative and three Field Representatives were transferred from the Revenue Collection Division to the Treasury Division to consolidate collection activities with the business license audit function.</p> <p>Status update 12/12/17: <u>Implemented.</u> All business license administrative functions are under the Revenue Collection Division. The Revenue Collection and Customer Service units are now managed by the Revenue Collection Manager implemented September 1, 2017. All collection activities and audits are under the Treasury division.</p>	

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<p>1.5</p> <p>Revise the business license renewal forms and instructions to make them more user-friendly and minimize the potential for errors. For example:</p> <ul style="list-style-type: none"> Have only one section for businesses to calculate taxes based on gross receipts. Include a separate line for allowable deductions and a statement that contractors, professional, and semiprofessional businesses may deduct subcontractor payments and that manufacturers may deduct the value of raw materials and energy costs. Revise the instruction sheet to provide clear guidance regarding allowable deductions for these business types. In the late renewal section, provide subtotal lines and language to clarify that interest is to be calculated on the renewal fee plus penalties. 	Finance	<p>Agree. This will be implemented with Accela. New license renewal forms, including specific information such as subcontractor deductions, penalty and interest calculations and other required data that relate to the business classification will be included.</p>	October 31, 2012	<p>Status Update 6/24/14: <u>Implemented</u> November 2012. The business license renewal form and instructions were revised for the 2013 renewal cycle. However, the 'one size fits all' renewal form caused many businesses to take deductions even though they were not in a tax category that allowed deductions. Finance continues to refine the business license forms.</p>	
<p>1.6</p> <p>After clarifying the BMC requirements for closing businesses, revise the Amended Business License Declaration form to accurately reflect those BMC requirements and to include the "under penalty of perjury" statement.</p>	Finance	<p>Agree. Finance will work with the City Attorney to revise the BMC and will work with Accela to implement the required forms and penalty and interest calculations.</p>	October 31, 2012	<p>Status Update 6/24/14: <u>Implemented</u> November 2012/June 2014. The Closing Business Declaration was revised in November 2012 with the declaration and again in June 2014 to reflect recent amendments to the BMC.</p>	

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<p>Ensure the form is clear as to how to calculate penalties and interest for businesses that do not file it within the timeline specified in the BMC. Post the revised form on the City's website.</p> <p>Revise the standard Business License Renewal form to include:</p> <ul style="list-style-type: none"> a reminder that if the business has or will cease operations in Berkeley during the current year, it needs to complete the renewal as usual and then file an amended business license declaration within the timeline specified in the BMC and pay business license taxes due through the date of business closure, and a specific section for closing businesses to use to file their final business license declaration. 	Finance	<p>Agree. This will be implemented with the Accela Occupational License software implementation. Finance will work with the City Attorney to revise the related BMC as needed.</p>	October 31, 2012	<p>Status Update 6/24/14: Implemented November 2012. The business license renewal form was revised for the 2013 renewal cycle to reflect the above two changes.</p>	
<p>Prior to converting to the new Occupational License software, investigate the large number of unapplied balances and ensure they are applied to the appropriate license and tax year and/or account. In the future, Finance staff should:</p>	Finance	<p>Agree. This will be part of the pre-Accela Occupational License software implementation clean-up.</p>	December 31, 2012	<p>Status Update 6/24/14: Partially Implemented – August 2013. Revenue Collection and Accounting worked together to resolve \$46,681 of the reported \$91,000 in unapplied payments. Unresolved credits were migrated to the Accela</p>	

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<ul style="list-style-type: none"> Review the cash post listing to identify and resolve any unapplied balances (shown as an "overpayment" on the cash post listing). Review the unapplied balances list at least monthly and promptly investigate to ensure business license account balances are accurate. 				<p>system to be investigated and resolved. Finance will work with IT to create new reports in Accela to monitor unapplied payments.</p> <p>Status update 12/12/17: Implemented. Revenue Collection staff reviews reports on a continuous basis to identify and research unapplied balances to correct mis-applied payments and process refunds as applicable. Revenue Collection staff has and will continue to work with the Accounting unit to ensure the accuracy of account balances.</p>	
1.9 Deactivate the feature in the FUNDS Occupational License module that allows records to be deleted. When the new Occupational Licensing module is implemented, configure it so no individual can access functions that, when used together, could allow the employee to commit fraud and not be detected.	Information Technology	Agree, this feature was meant to be temporary. At the request of the Director of Finance, the Department of Information Technology has already deactivated the feature in the FUNDS Occupational License module that allowed licenses to be deleted. During business analysis and testing for the new business license system, the Department of Finance will ensure that incompatible duties are disallowed and verify that the new software is configured accordingly.	January 31, 2013	<p>Status Update 6/24/14: Implemented September 2013. The FUNDS Occupational License module was initially configured to only allow deletion of business account records that had no financial transactions associated with it. Prior to the May 2012 audit report, the module was reconfigured so that business account records could not be deleted regardless of whether or not associated financial transactions existed. Accela Business License software was implemented in September 2013 and was configured so that no record could be deleted.</p>	

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Finding 2: Efforts to Collect Delinquent Business License Taxes, Penalties, and Interests and to Write-off Uncollectible Accounts are Ineffective and Insufficient				
2.1 Provide training to Revenue Collection staff and other City staff on effective collection strategies, including how to identify and prioritize high-risk accounts, and on the requirements of A.R. 3.15 for writing off uncollectable business license accounts.	Finance, in collaboration with other City departments	Agree. We will provide the necessary training to all affected staff, after we have reviewed and evaluated the recommendations of the City Auditor and Management Partners.	October 31, 2012	Status Update 6/24/14: <u>Not Implemented.</u> Training on A.R. 3.15 will be developed after modifications to AR 3.15 are implemented per Audit Recommendation 2.6. Status update 12/12/17: <u>Implemented.</u> Collectors have received several collection trainings both from outside agencies and internally, including Collection Law. Finance plans to have continuous trainings for collection staff. Also Finance has modified AR 3.15 and will publish it by 11/30/17.
2.2 Enter into a contract with an outside collection agency to pursue collection of citywide delinquent accounts. Identify criteria for when to transfer accounts to the collection agency rather than pursuing collection in-house.	Finance, in collaboration with other City departments	Agree. We will evaluate this recommendation in conjunction with the review and evaluation of all of the recommendations made by the City Auditor and Management Partners.	October 31, 2012	Status Update 6/24/14: <u>Not Implemented.</u> This recommendation will be addressed when the reorganization of the Finance Department is complete. Status update 12/12/17: <u>Partially implemented.</u> After implementation of Accela in 2013, the system was unable to generate delinquent reports, which triggers collection activities. On March 1, 2016, the first delinquent notice was generated which resulted in approximately collecting of half million dollars. Finance is compiling data to

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2.3	Finance, in collaboration with other City departments	<p>Agree. An analysis of all the unapplied balances will be part of the pre-Accela Occupational License software implementation clean-up. After a review and evaluation of that analysis, we will immediately pursue collection efforts on all accounts we believe are collectible.</p>	October 31, 2012	<p>Status Update 6/24/14: <u>Partially Implemented</u> August 2013. Of the \$1.1 million in reported unpaid fees, \$505,624 were balances that were submitted to the County for collection on the property tax roll, but had not yet been adjusted from the business license system. Some of the balances were reduced as the result of Administrative Hearing decisions. Collection efforts continue on accounts that can be pursued and the remaining balances will be written off.</p> <p>Status Update 12/12/17: <u>Partially Implemented.</u> Finance is working with IT to generate ad hoc reports to properly account for all delinquent accounts such as unpaid balances, unapplied balances and license year. Recently, Finance attended training for ad hoc reporting which will enable Finance to create collection reports. The collection process for delinquent accounts will be improved with such readily-available reports.</p>	<p>review to see if this recommendation should be implemented.</p>
2.4	Finance, in collaboration	<p>Agree. We will develop appropriate strategies and reporting and tracking</p>	June 30, 2013	<p>Status Update 6/24/14: <u>Not implemented.</u> New reports to monitor collection activity and aging reports will be developed as part of the on-going</p>	

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<p>past-due accounts and a report identifying collection strategies pursued on each delinquent account and the results. Use the results as a long-term planning tool for developing effective collection strategies and criteria for when to use them.</p>	<p>tion with other City departments</p>	<p>mechanisms, including the use of periodic activity reports and aging report.</p>		<p>Accela Business License implementation. Status Update 12/12/17: Partially implemented. Aging reports are generated from Accela Business License module but current reports do not have delinquent amounts or license year information. Finance is reviewing the options to generate accurate aging reports.</p>	
<p>2.5 Develop performance measures to evaluate the effectiveness of collection efforts. Establish a performance goal for each measure and monitor performance toward achieving the goals. Examples include:</p> <ul style="list-style-type: none"> • Percentage of delinquent accounts collected • Percentage of delinquent dollars collected • Average time to collect a delinquent account 	<p>Finance, in collaboration with other City departments</p>	<p>Agree. We will develop appropriate performance measures for collection of delinquent accounts.</p>	<p>December 31, 2012</p>	<p>Status Update 6/24/14: <u>Not implemented.</u> New performance measures will be developed as part of the Finance Department reorganization.</p> <p>Status update 12/12/17: <u>Partially Implemented.</u> The current performance measure is 150% of Revenue Development Specialist's total compensations (salary and benefits). In the interim, Finance continues to develop a more comprehensive performance measures based on the current receivables. Finance will be working on additional performance measures that will be effective July 1, 2018</p>	

2.6	<p>Amend A.R. 3.15, Write-Offs of Uncollectable Receivables, to:</p> <ul style="list-style-type: none"> Change the language in the basic steps and authorities section from, "Departments are encouraged to recommend write-off actions..." to "Departments shall review their accounts receivable annually and recommend write off actions..." 	<p>Finance, in collaboration with other City departments</p>	<p>Agree. We will make A.R. 3.15 more comprehensive by providing more specific collections and write off guidance to all City Departments.</p>	<p>June 30, 2013</p>	<p>Status Update 6/24/14: <u>Not Implemented.</u> A.R. 3.15 will be revised as part of the Finance reorganization.</p> <p>Status update 12/12/17: <u>Implemented.</u> Finance has modified AR 3.15 and will publish it by 11/30/17.</p>
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<ul style="list-style-type: none"> • Include best practices for pursuing collection of delinquent debts and provide criteria, including timelines, for when each should be pursued. • Include examples of progressively firmer collection letters, including one that threatens legal action if payment is not made. • Establish criteria, including timing, for ceasing collection activity on a delinquent account and, instead, recommending the account for write off. • Emphasize the importance of timely collections and the need to follow through in pursuing the actions cited in letters sent. 					
2.7	Finance	<p>Agree. This recommendation will be implemented with the Accela Occupational License software implementation. Finance will work with the City Attorney to revise the BMC.</p>	October 31, 2012	<p>Status Update 6/24/14. Implemented November 2012. The business license renewal form was revised for the 2013 renewal cycle to include the following statement “Warning: Providing false information on this form may result in the City pursuing civil &/or criminal penalties, in addition to penalties & interest that may be imposed for underpayment of business license tax under provisions of BMC 9.04.110, 9.04.115 & 9.04.120.</p>	

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<p>underpayment of business license taxes under the provisions of BMC 9.04.110, 9.04.115, and 9.04.120."</p> <p>2.8 Explore the feasibility of having staggered timelines for businesses to renew their licenses to ease the volume of work Finance staff have during the current annual renewal period. Report the results to Council. If determined to be feasible, draft recommended language and request the City Council to amend BMC 9.04.065, Annual license, and 9.04.110, Penalty for nonpayment or underpayment of annual license-Accrual of cause of action, to implement a system of staggered renewal dates. If the Council approves the change, develop a plan to transition businesses to their new renewal dates. (Note: This recommendation may not be needed if Recommendation 4.1, online business license processing and payment, is implemented.)</p>	Finance	<p>Agree. We agree that this is an option that will smooth out the workload of staff, and we will explore it, but there are other options that will be considered that can also help accomplish that. Other options include, but are not limited to: online processing and payment of business licenses; and reorganizing staff resources.</p> <p>Accela's online system may take care of a lot of the backlog. Finance management will evaluate this and other available options.</p>	February 28, 2013	<p>Status Update 6/24/14: Implemented. Finance does not believe that it is feasible to stagger Business License Tax (BLT) renewal due dates, for the following reasons:</p> <ul style="list-style-type: none"> Staggering the due dates will result in less income in the year of implementation. Given the budget constraints the City will begin facing in FY 2016, this does not seem prudent. Staggering the BLT due dates won't solve workload concerns, since the Revenue Collection Division has deadlines throughout the year (in addition to their ongoing billing and permitting duties), not just during the period that BLT renewals are processed. All that staggering due dates would accomplish is to lighten the load a little for one period with a deadline (BLT) and increase the load a little for other periods with deadlines. For example, shortly after processing BLT, approximately 14,000 Residential Preferential Parking Permits (RPP) have to be processed during May- 	

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				<p>July, followed by the processing of property tax special assessments on over 27,000 City parcels during June-August.</p> <ul style="list-style-type: none"> Staggering the due dates will create some problems that don't currently exist now. Having multiple due dates, rather than one, creates problems. For example, the City sends out the 2nd penalty register approximately 30 days after the due date to prevent the 2nd penalty (4/1). If due dates were staggered, staff would have to prepare, review and send out multiple 2nd penalty registers, as a separate penalty register would need to be sent out for each due date. As a result, some penalties and interest would not be received before the fiscal year end, for the first year of implementation. Staff performed a survey of some California cities that process business license taxes, and concluded that those that use gross receipts as the reporting base (such as Berkeley) do not stagger due dates. Some, like San Jose and Santa Cruz, which use statistics (such as the number of employees, number of rental units, etc.) do stagger due dates. 	

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Finding 3: Amend the BMC to Clarify the Requirement for Recording Liens and to Allow for Recovery of the County's Collection Fee, and to Align Requirements with the County's Processes					
<p>3.1 Draft recommended language and request the City Council to amend BMC 9.04 to:</p> <ul style="list-style-type: none"> Clarify that because Finance can only transfer delinquent business license accounts to Alameda County once a year, in August, Finance should actively pursue collection in the interim. Delete the requirement for delinquent business license tax accounts to be sent to the county assessor and add a requirement for the accounts to be sent to the county Auditor- Controller's Office. Clarify whether Finance should officially "record" liens against a business property when transferring delinquent business license accounts to Alameda County for collection. If that is not the intent, delete the language requiring Finance to record the lien and to add the "release of lien filing fee" to transferred accounts. Change the requirement for Finance to assess "an administrative charge of fifty dollars" on transferred business license accounts to "a fee 	Finance	<p>Agree. Finance will work with the City Attorney on the requirements for recording liens and allowing recovery of the County's collection fee and report to Council recommended changes in the BMC.</p>	October 31, 2012	<p>Status Update 6/24/14: Implemented – June 2014. Two Action Items were sent to Council on June 10, 2014. One Action Item was for the first reading of proposed Ordinance to amend BMC Chapter 9.04. The ordinance amendment addresses bullets one, two, three, and five. The second Action Item is a Resolution which addresses bullets four and six. -</p>	

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<p>equal to the cost of transferring the account to Alameda County for collection" or to a specified percentage of that cost.</p> <ul style="list-style-type: none"> Clarify if/how interest accrues on delinquent accounts transferred to Alameda County for collection. Add a provision allowing the City to add a fee to transferred business license accounts to recover the County's administrative collection fee. Because the County would retain 1.7 percent of the delinquent account balance plus the City's recovery fee, the City would have to add approximately 1.73 percent to the delinquent balance to recover the full amount of the County's fee. 					

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Finding 4: Establish Online Capability for Filing Business License Applications, Renewals, and Payment				
4.1 When implementing the new occupational license software for processing business licenses, ensure that it can accurately calculate the taxes, penalties, and interest due, based on whether it is a new license or a renewal, or a closing statement, and the renewal date and/or business start/end date.	Finance and Information Technology	Agree. Business analysis/configuration for new Business License software will include ensuring accurate calculations for the taxes, penalties, and interest due, based on whether it is a new license or a renewal, or a closing statement, and the renewal date and/or business start/end date. During the business analysis portion of implementation for the new software Finance and Information Technology will work together to ensure the software is configured to correctly make the needed calculation. Finance will verify calculations are in compliance with all applicable business rules.	December 31, 2013	Status Update 6/24/14: <u>Implemented September 2013.</u> Accela Business License software was implemented September 4, 2013. Accela's Business License software was programmed to calculate taxes, penalties and interest in accordance with the BMC.

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4.2 When implementing the online payment software for business license taxes, develop written procedures and security measures to protect sensitive cardholder information in accordance with industry standards.	Finance and Information Technology	This recommendation is being covered by the Payment Card Procedures within Finance. The proposed online payment strategy will be to use a third-party vendor for credit card payments. In this way, credit card data is not stored anywhere with the City and also not in the Accela database. Responsibility for protecting sensitive cardholder information will be with the third-party online payment vendor. The latter is obligated to annually report their PCI compliance status to the City.	June 30, 2012	Status Update: Partially Implemented. A draft of the Administrative Regulation 3.25 is with the City Manager for final review. Status update 12/12/17: Implemented. AR 3.25 regulating "Citywide Payment Card Acceptance Standards" was completed and posted on iCobWeb on 2/3/17.