

**DEPARTMENT OF NEIGHBORHOOD
AND COMMUNITY AFFAIRS
NEIGHBORHOOD ENHANCEMENT DIVISION
BUSINESS TAX AUDIT 21-06
MARCH 2, 2021**



CITY OF TAMPA

Jane Castor, Mayor

Internal Audit Department

Christine Glover, Internal Audit Director

March 2, 2021

Honorable Jane Castor
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: Business Tax, Audit 21-06

Dear Mayor Castor:

Attached is the Internal Audit Department's report on Business Tax.

The Business Tax Division has already taken positive actions in response to our recommendation. We thank the management and staff for their cooperation and assistance during this audit.

Sincerely,

/s/ Christine Glover

Christine Glover
Internal Audit Director

cc: John Bennett, Chief of Staff
Ocea Wynn, Administrator of Neighborhood and Community Affairs
Dennis Rogero, Chief Financial Officer
Keith O'Connor, Neighborhood Enhancement Manager
Joe Papy, Business Tax Division Supervisor
Brian Morrison, Assistant City Attorney II

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/s/ Anita Smith

Senior Auditor

/s/ Christine Glover

Audit Director

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BACKGROUND

The Business Tax Division (BTD) operates as part of the City of Tampa's Neighborhood and Community Affairs Department. BTD's areas of responsibility comprise the issuance of tax receipts¹ and collection of all business taxes under the authority of Chapter 24 of the City of Tampa Code (City code).² Local business tax receipts serve as the method for a local government to grant the privilege of engaging in or managing any business, profession, and occupation within its jurisdiction. Additionally, Chapter 205 of the Florida Statutes provides the authority for a municipal governing body to collect the business taxes in Florida and sets guidance for the process.

STATEMENT OF OBJECTIVES

We conducted this audit in accordance with the Internal Audit Department's FY 2021 Audit Agenda. The objectives of this audit were to ensure that:

1. The internal controls over assessments and collections are adequate.
2. The BTD has reliable processes to identify entities engaging in business activities within the City of Tampa's (City) jurisdiction.

STATEMENT OF SCOPE

The audit period covered business tax activity that occurred from October 1, 2019 to December 31, 2020. Additionally, we reviewed unpaid accounts in tax years 2018 through 2021. Auditor assessed records to determine whether the BTD personnel were fulfilling their stated duties and responsibilities in an effective and efficient manner. Original records as well as copies were used as evidence and verified through observation and physical examination.

STATEMENT OF METHODOLOGY

Accela, the new system that administers the Business Tax module, replaced the mainframe system in November 2019. We reviewed data generated from Accela and deemed it reliable, complete and accurate. Additionally, we reviewed internal controls relative to segregation of duties for receiving and processing payments and issuing tax receipts.

¹ Receipt issued to business taxpayer as evidence of compliance with municipal code.

² Refer to <https://www.tampa.gov/business-tax>

We achieved our audit objectives by using the following methods:

1. Conducted interviews with BTM, Revenue and Finance, and Technology and Innovation personnel to gain an understanding of internal controls.
2. Examined BTM's procedures for compliance with City code.
3. Performed a data reliability analysis to determine the completeness and accuracy of system generated data used by management.
4. Reviewed BTM's internal processes and assessed collection efforts for delinquent business taxes.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT CONCLUSIONS

Based upon the test work performed and the audit findings noted below, we conclude that:

1. The internal controls over assessments and collections are adequate. However, additional options exist to more stringently collect delinquent taxes.
2. The BTM has reliable processes to identify entities engaging in business activities within the City's jurisdiction.

DELINQUENT TAX

STATEMENT OF CONDITION: The BTD annually collects business taxes from businesses operating within the City limits. BTD personnel follows established processes to ensure businesses operating within the City boundaries comply with the City code. BTD sends tax year invoices in July for notification of assessed tax, sends delinquency notices in November and January, assesses applicable penalty fees, posts green placards at delinquent businesses, and makes business visits/inspections. Despite these efforts, some businesses continue to be in operation with delinquent business tax. For the tax years of 2018 to 2021, BTD revenue collections exceeded the division’s projected revenue goal. However, there remains a portion each tax year that goes uncollected.

According to the Business Tax Aging report from Accela, as of January 21, 2021, the following table displays the delinquent balances for tax years 2018 through 2021:

Tax Year	Delinquent Balances
2018	\$87,820.84
2019	\$147,733.82
2020	\$421,421.32
2021	\$1,338,701.73
Total	\$1,995,677.71

CRITERIA: Section 24-106 (c) of the City code stipulates that any person who engages in any business, occupation or profession covered by this article, who does not pay the required business tax within one hundred fifty (150) days after the initial notice of tax due, and who does not obtain the required business tax receipt is subject to civil actions and penalties, including court costs, reasonable attorneys' fees, additional administrative costs incurred as a result of collection efforts, and a penalty of up to two hundred fifty dollars (\$250.00).

CAUSE: While BTD’s practices established efforts to collect delinquent taxes, to include assessing penalties, the pursuit of civil action upon businesses with delinquent taxes has not been exercised.

EFFECT OF CONDITION: The City foregoes revenue and the businesses with delinquent balances may continue to conduct activity with minimal consequence for noncompliance.

RECOMMENDATION: We recommend management consider the option to establish more stringent efforts to collect delinquent taxes in accordance with the City code.

MANAGEMENT RESPONSE: Concur. Management will work with the legal office to re-visit Agenda Item #5 on Council Agenda for November 21, 2019. Further, Management will request the legal office to explore other civil remedies for non-payment of taxes.

TARGET IMPLEMENTATION DATE: March 1, 2021.