

City of Miami

THEODORE P. GUBA, CPA, CIA, CFE
INDEPENDENT AUDITOR GENERAL



Telephone (305) 416-2044
E-Mail: tguba@miamigov.com

July 16, 2015

Honorable Members of the City Commission
City of Miami
3500 Pan American Drive
Coconut Grove, FL 33133-5504

Re: Business Tax Receipts Revenue Analysis and Audit of the Office of Code Compliance's
Controls Over Business Tax Receipts
Audit No. 15-013

Executive Summary

Pursuant to Section 48 of the City of Miami's (City) Charter and the Office of the Independent Auditor General's Fiscal Year 2014/2015 Audit Plan, we have completed an audit of the City's Controls over Business Tax Receipts (BTR) primarily for the period October 1, 2012 through September 30, 2014. This report focused primarily on analyzing the City's BTR revenue streams including BTR business fees, BTR penalty revenue collected from businesses who did not renew their annual BTR on time, and BTR revenues from Miami-Dade County (for BTR fees assessed/collected by the County and divided between unincorporated areas and incorporated municipalities). The financial accounting records maintained by the City's FD disclosed that the City collected approximately **\$7.7 million** of BTR revenue in FY 2014. Of the total collections, \$6,885,886 were BTR business fees, \$253,605 were penalties, and \$526,593 were BTR revenues from Miami-Dade County. Our review of the **Total (Combined) BTR Revenue** generated during the five year period FYs 2010-2014 showed an **overall increase of \$140,748 (or 1.87%)** with revenue increases of 3.98% for FY12 and 2.60% for FY13, and revenue decreases of 2.82% for FY11 and 1.5% for FY14. When reviewing the individual accounts that comprise the Total (Combined) BTR Revenue, we noted that BTR-Business revenues increased by \$546,192 (or 8.62%) over the five year period, while **Penalties and BTR-Metro revenue decreased by \$324,450 (or -56.13%) and \$80,994 (or -13.33%), respectively**. Due to the variances, we analyzed Penalties and BTR-Metro revenue in detail. (See details of our "BTR Revenue Analysis" findings and recommendations beginning on page three).

In addition, we audited the internal controls of the Office of Code Compliance (OCC) with respect to their role in monitoring businesses for compliance with BTR requirements as outlined in Chapter 31 of the City Code, entitled "Local Business Tax Receipts and Miscellaneous Business Regulations" including the assessment/collection of all applicable fees and the internal controls related to the processing of all applicable financial transactions. Earlier this fiscal year we issued a separate report on the Finance Department's (FD) role in the assessment and collection of BTRs, and the Information Technology Department's (ITD) role in the development of the MiamiBiz system.

Based on the results of our audit, we have concluded that OCC efforts to enforce BTR compliance and collect fees due to the City need to be improved. Although we noted that the OCC-Revenue Task Force (RTF) conducts door to door inspections of businesses for compliance with BTR requirements, the documentation maintained is insufficient to: substantiate the numbers of inspections and amounts of collections; determine whether inspections are being performed effectively/efficiently; and determine whether the OCC-RTF is meeting its goal of inspecting all City businesses on an annual basis. We also noted that the OCC-RTF does not assess penalties, as mandated by the City Code, to businesses operating in the City without a BTR. As a result, the City is forfeiting additional revenue as well as another method to obtain business' compliance with BTR requirements. Lastly, with respect to BTR collections, we determined that the OCC does not comply with the City's Cash Receipts Policy. As a result, we were unable to determine whether collections were adequately safeguarded, reported, and provided to the City's FD-Cashier for processing and deposit in a timely manner.

The OCC and FD should implement the necessary enhancements to improve operational effectiveness and maximize the City's BTR revenue.

We wish to express our appreciation for the cooperation and courtesies extended to us by all City personnel.

Sincerely,



Theodore P. Guba, CPA, CIA, CFE
Independent Auditor General
Office of the Independent Auditor General

cc: The Honorable Mayor Tomas Regalado
Daniel Alfonso, City Manager
Victoria Mendez, City Attorney
Todd Hannon, City Clerk
Alice Bravo, Deputy City Manager/Chief of Infrastructure
Fernando Casamayor, Assistant City Manager/Chief Financial Officer
Nzeribe Ihekweba, Assistant City Manager/Chief of Operations
Jose M. Fernandez, Director, Finance Department
Eli Gutierrez, Director, Office of Code Compliance
Jessica Angel-Capo, Chief of Code Compliance, Office of Code Compliance
Members of the Audit Advisory Committee
Audit Documentation File

Audit conducted by: Coral Vivolo, Staff Auditor
Munirah Daniel, CPA, Senior Auditor

Audit reviewed by: Mala Khilnani, CPA, CISA, Senior Auditor

**BUSINESS TAX RECEIPTS REVENUE ANALYSIS &
AUDIT OF THE OFFICE OF CODE COMPLIANCE’S CONTROLS OVER
BUSINESS TAX RECEIPTS
OCTOBER 1, 2012 THROUGH SEPTEMBER 30, 2014
Audit No. 15-013**

TABLE OF CONTENTS

SCOPE, OBJECTIVES, AND METHODOLOGY	1
BACKGROUND	2
BTR REVENUE ANALYSIS	3
FINDING 1: BTR PENALTY REVENUE DECREASED BY 56% OVER FIVE-YEAR PERIOD	3
FINDING 2: BTR-METRO REVENUE DECREASED BY 13% OVER FIVE-YEAR PERIOD	5
AUDIT FINDINGS AND RECOMMENDATIONS	7
FINDING 3: PENALTIES WERE NOT ASSESSED RESULTING IN LOSS OF BTR PENALTY REVENUE OF MORE THAN \$100,000	7
FINDING 4: OCC SYSTEM OF TRACKING INSPECTIONS DOES NOT PROVIDE ABILITY TO ENSURE ALL BUSINESSES ARE INSPECTED FOR COMPLIANCE WITH BTR REQUIREMENTS.....	8
FINDING 5: IMPROVE RECORD KEEPING PRACTICES TO ENSURE ACCURATE TRACKING & REPORTING OF INSPECTIONS & COLLECTIONS.....	9
FINDING 6: ENHANCE COORDINATION BETWEEN OCC AND FINANCE TO ENSURE PROPER FOLLOW-UP & COMPLIANCE	10
FINDING 7: ENSURE COMPLIANCE WITH CITY’S CASH RECEIPTS POLICY	11

SCOPE, OBJECTIVES, AND METHODOLOGY

This audit was performed pursuant to the authority set forth in Section 48 of the City's Charter entitled, "*Office of Independent Auditor General*" (OIAG), and was conducted in accordance with the OIAG's Fiscal Year 2014/2015 Audit Plan. The scope of the audit included an examination of the controls over Business Tax Receipts (BTR) issued by the City to determine compliance with the provisions of Chapter 31 of the City Code, entitled "Local Business Tax Receipts and Miscellaneous Business Regulations" including the assessment/collection of all applicable fees and the internal controls related to the processing of all applicable financial transactions.

The audit covered the period October 1, 2012 through September 30, 2014, and selected transactions prior and subsequent to this period. In general, the audit focused on the following objectives:

- To analyze, conclude, and comment upon the trends of the various streams of BTR revenue during the five year period ended September 30, 2014.
- To determine whether BTRs were issued in compliance with the required policies, codes, statutes and regulations.
- To determine whether the correct fees and penalties were collected by the City and deposited timely into the City's treasury accounts.
- To assess the effectiveness of the internal control system relative to the assessment and collection of BTRs.
- To determine whether the Office of Code Compliance (OCC) properly monitored businesses operating in the City to ensure compliance with BTR requirements.
- Other audit procedures as deemed necessary.

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 and appropriate evidence in order 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.

The audit methodology included the following:

- Reviewed applicable Florida Statutes, City resolutions and ordinances, other legislative documents, and City policies and procedures in order to gain an understanding of the internal controls, assess control risk, and plan audit procedures.
- Interviewed and made inquiries of appropriate City personnel; observed control procedures; analyzed BTR data; reviewed BTR applications and payments; and tested compliance with BTR requirements.
- Performed substantive testing consistent with the audit objectives, including but not limited to the examination, on a test basis, of applicable transactions and records.
- Drew conclusions based on the results of the testing, made corresponding recommendations, and obtained auditee responses and corrective action plans.
- Performed other audit procedures as deemed necessary.

BACKGROUND

Section 31-26(a) of the City Code requires new business owners to obtain a Business Tax Receipt (BTR) which must be renewed on or before October 1st of each year. If a business operating within the City does not possess a valid/current BTR, it will be subjected to assessment of penalty fees described in Section 31-39 of the Code. During the audit period, October 1, 2012 through September 30, 2014, the City billed customers for approximately 23,000 business licenses and collected approximately \$7.8 million of BTR revenue in fiscal year 2013 and approximately \$7.7 million in fiscal year 2014.

The Finance Department (FD) has the primary responsibility to ensure that the BTR fees are properly assessed and paid to the City. The City's ITD developed and implemented the MiamiBiz software system in order to process BTRs. MiamiBiz interfaces with the City's Oracle Financial Module (Oracle), which generates BTR invoices and records BTR accounts receivables and fees. In order to ensure that BTRs are assigned to correct City addresses, MiamiBiz utilizes Miami-Dade County's (County) geographical information system (GIS) address database.

In order to obtain a BTR, business owners (customers) must apply in person at the FD-BTR Section (located in the City's administrative building) or at one of the City's Neighborhood Enhancement Team (NET) offices. Customers can obtain the "Application for Business Tax Receipt" form at the FD-BTR section, NET offices, online, or from Office of Code Compliance (OCC) Inspectors during site inspections. In addition to completing the application form, businesses are required to comply with other requirements and/or provide additional documentation as necessary.

BTR fees due to the City are based on the type of business conducted (e.g., restaurant, nursing home, manufacturer, etc.) and number of units (e.g., seats, square footage, inventory, etc.). Accordingly, customers must indicate the business-type and number of units (if applicable) on the BTR application; however, since there are a wide variety of business categories, there is a risk that a customer may indicate the incorrect category. In order to mitigate this risk, prior to processing the application, FD-BTR Section employees consult with each customer to ensure that the application is completed correctly and that the correct business category and units are assigned.

The OCC is responsible for monitoring businesses operating in the City to verify that they possess a valid BTR. Within the OCC, a "Revenue Task Force" (RTF), consisting of six (6) inspectors, has been designated to specifically perform inspections of businesses for compliance with BTR, Certificate of Use (CU), Solid Waste, and Fire requirements and fees. The RTF's goal is to inspect all City businesses on an annual basis.

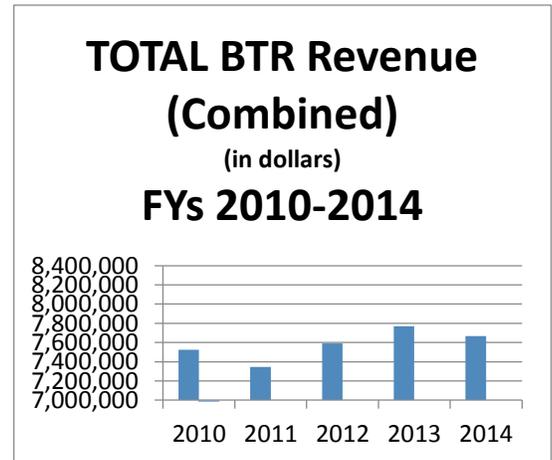
Prior to inspecting businesses, OCC-RTF Inspectors generate a "Revenue Inspector Report" from the MiamiBiz System to determine whether businesses have valid BTR/CU licenses. The reports are run using street address parameters corresponding to the areas being inspected. The reports show the business address, business name, business category(ies), whether BTRs/CUs have been issued, have holds, have been paid, and the amounts paid and/or due. If the business is found to be out-of-compliance with BTR requirements, Inspectors provide a new BTR application and encourage the customer to register and pay the fees on-the-spot. However, if the customer does not complete the application/pay the required BTR fees at that time, then the Inspector issues a "Code Enforcement, Notice of Violation" and the business owner can either call the Inspector to return at another time or the customer can complete the process at the administrative building. On a daily basis, when Inspectors return to the office, all BTR applications, supporting documents, and payments collected are placed in a FD lockbox in order for the FD-BTR Section to process the information in the system.

BTR REVENUE ANALYSIS

For FY 2014 we noted that the City collected a total of \$7,666,083 of BTR revenue. Of the total collections, \$6,885,886 were BTR business fees, \$253,605 were penalties assessed to businesses who did not renew their annual BTR on time, and \$526,593 were BTR revenues from Miami-Dade County (for BTR fees assessed/collected by the County and divided between unincorporated areas and incorporated municipalities).

Summary & Analysis of BTR Revenue for Fiscal Years 2010 through 2014

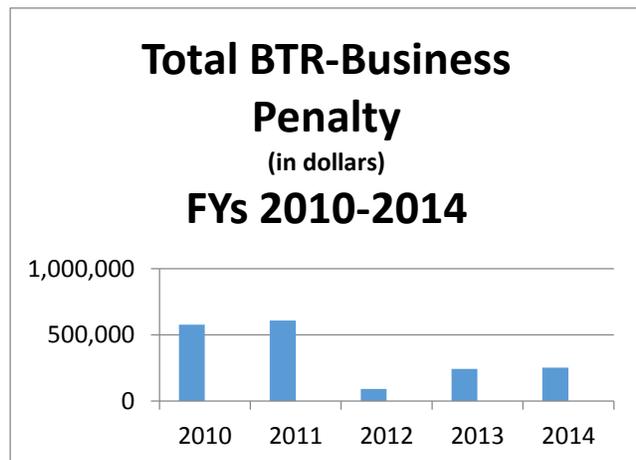
Fiscal Year	BTR-Business Revenue	BTR-Penalty Revenue	BTR-Metro Revenue	TOTAL BTR Revenue (Combined)
2010	\$6,339,693	\$578,055	\$607,586	\$7,525,335
2011	6,142,644	608,049	596,052	7,346,746
2012	6,909,717	91,614	589,654	7,590,985
2013	6,981,737	242,347	546,447	7,770,532
2014	6,885,886	253,605	526,593	7,666,083
TOTAL	\$33,259,677	\$1,773,672	\$2,866,332	\$37,899,681



Our review of the **Total BTR Revenue (Combined)** generated during the five year period FYs 2010-2014 showed an **overall increase of \$140,748 (or 1.87%)** with revenue increases of 3.98% for FY12 and 2.60% for FY13, and revenue decreases of 2.82% for FY11 and 1.5% for FY14. When reviewing the individual accounts that comprise the Total BTR Revenue (Combined), we noted that BTR-Business revenues increased by \$546,192 (or 8.62%) over the five year period, while **Penalties and BTR-Metro revenue decreased by \$324,450 (or -56.13%) and \$80,994 (or -13.33%), respectively.** Based on these observations, we analyzed the Penalties and BTR-Metro revenue further to determine why these decreases occurred.

FINDING 1: BTR PENALTY REVENUE DECREASED BY 56% OVER FIVE-YEAR PERIOD

Period	BTR-Business-Penalty	
	\$ Change	% Change
2010-2011	\$ 29,994	5.19%
2011-2012	-516,435	-84.93%
2012-2013	150,733	164.53%
2013-2014	11,258	4.65%
TOTAL Change 2010-2014	\$ -324,450	-56.13%



Penalty Revenue Observations: Penalty Revenue increased by 5.19% in FY 2011; however, there was a major decrease of 84.93% during FY 2012. Although there was an increase of 164.53% during

FY 2013 compared to FY 2012, and another increase of 4.65% in FY 2014, the revenue collected from penalties during FYs 2012, 2013, and 2014 (\$91,614, \$242,347, and \$253,605, respectively) was significantly lower than the amounts collected during FYs 2010 and 2011 (\$578,055 and \$608,049, respectively).

Penalty Revenue Analysis: To address the significant decrease in Penalty Revenue, the City's Finance Department explained that several years ago they had inspectors in the BTR Section that reviewed the return mail and visited business locations to determine whether the business existed. If the business existed, they would collect any due amounts (including BTR fees and delinquency penalties) on site thus increasing the penalty revenue. Since they no longer have BTR Inspectors, they depend on the Code Enforcement inspectors for these collections. In addition, the Finance Department explained that the collection rate for old past due invoices has decreased with a corresponding decrease in penalty revenue.

As noted, although the Finance Department-BTR Section lost its Inspectors, the Office of Code Compliance-Revenue Task Force conducts business inspections for compliance with BTR Requirements and collects BTR fees. We also performed a Collection Rate Analysis by querying the Oracle account detail over the past five fiscal years noting that the collection rate of BTR renewal invoices has decreased from 97% to 95% with balances due ranging from \$190,193 (in FY 2010) to \$369,613 (in FY 2014). As a result, penalties on uncollected balances were also uncollected. The foregone penalties ranged from \$47,548 (in FY 2010) to \$92,403 (in FY 2014).

EXHIBIT A – BTR RENEWALS COLLECTION RATE ANALYSIS
(in dollars)
(FYs 2010-2014)

Fiscal Year	Amount Billed	Amount Collected	Collection Rate	Balance Due (Uncollected)	25% Uncollected Penalties
2010	6,308,617	6,118,423	97%	190,193	47,548
2011	6,857,042	6,531,424	95%	325,618	81,404
2012	7,089,888	6,700,763	95%	389,125	97,281
2013	7,441,393	7,012,471	94%	428,922	107,230
2014	7,717,977	7,348,363	95%	369,613	92,403

RECOMMENDATION 1: (FINANCE DEPARTMENT)

We recommend that the Finance Department (FD) periodically perform similar analyses of the various BTR Revenue streams, investigate any significant variances, and immediately address the issues noted to ensure the City receives the maximum appropriate revenue due.

With respect to the penalty revenue findings above, in Audit Report No. 15-005 (issued on February 27, 2015) we found that there was a lack of follow-up by FD/OCC after expiration of the delinquency period. For example, upon exhaustion of the penalty period (January 31st), the FD did not forward delinquent business information to the Office of Code Compliance for follow-up and issuance of violation notices. In order to improve collections of delinquent BTR renewals, we recommended that the FD run a report of all delinquent businesses after the final penalty period (January 31st), and provide the information to the OCC for appropriate follow-up and issuance of violation notices.

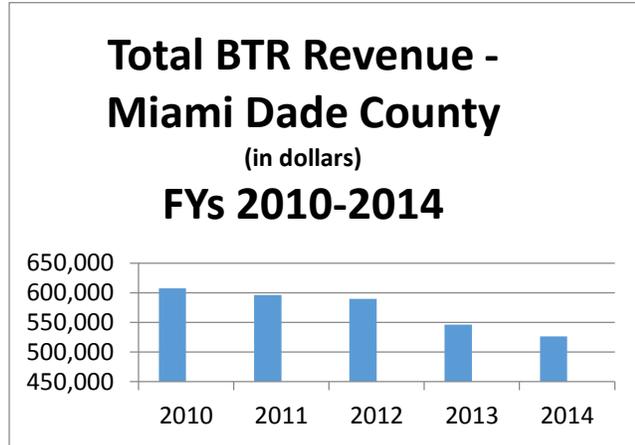
- **Finance Department Response:** ITD is creating a report to address previous recommendations found in Audit Report No. 15-005. The report will enable the FD the necessary information to perform the analysis detailed above.

OCC currently has a report in MiamiBiz, of all delinquent businesses after the final penalty period. This report is referenced on page 11 of this audit under Recommendation 6.2 titled "Revenue Inspector Report."

- **Implementation Date:** July 2015

FINDING 2: BTR-METRO REVENUE DECREASED BY 13% OVER FIVE-YEAR PERIOD

Period	BTR-Metro	
	\$ Change	% Change
2010-2011	\$ -11,534	-1.90%
2011-2012	-6,398	-1.07%
2012-2013	-43,207	-7.33%
2013-2014	-19,854	-3.63%
TOTAL Change 2010-2014	\$ -80,994	-13.33%



BTR-Metro Revenue Observations: BTR-Metro Revenue received from Miami-Dade County has decreased every year over the five-year period analyzed (FYs 2010-2014). When comparing 2010 to 2014 we noted an overall decrease in revenues of \$80,994 (or -13.33%).

BTR-Metro Revenue Analysis: According to Florida Statute 205.0536 "Distribution of County Revenues", "Any business tax revenues collected by a county...from businesses, professions, or occupations whose places of business are located within a municipality, exclusive of the costs of collection, must be apportioned between the unincorporated area of the county and the incorporated municipalities located therein by a ratio derived by dividing their respective populations by the population of the county....The revenues so apportioned shall be sent to the governing authority of each municipality, according to its ratio, and to the governing authority of the county, according to the ratio of the unincorporated area, within 15 days after the month of receipt."

We inquired with the FD regarding the annual decreases noted in the monies received from the County and the FD in turn inquired with the Miami-Dade County Local Business Tax Supervisor who indicated that, "The downward trend shown in the City's distribution revenues from the County, is the same downward trend that the County has been experiencing due largely to the economic trends that have affected the entire County over the last few years."

We reviewed the County's Comprehensive Annual Financial Reports for fiscal years ended 2010-2014 noting that the revenues from Occupational License taxes decreased in fiscal years ended 2010-2013 and that there was a slight (1%) increase in FYE 2014. The City does not receive any reports from the County to support the distribution of revenues received including the population ratios used in the distribution calculation. Therefore, we were unable to completely substantiate the County's explanation.

RECOMMENDATION 2: (FINANCE DEPARTMENT)

For current and prior periods, we recommend that the City's Finance Department coordinate with the Miami-Dade County Tax Collector's Office to obtain the County Reports which support the distribution of BTR Revenue to the City (as outlined in Florida Statute 205.0536 "Distribution of County Revenues"). The components of the reports should be reviewed for accuracy and any identified adjustments should be pursued with the County.

- **Finance Department Response:** Miami-Dade County currently provides the FD a Funding Agency Distribution Report. The FD will speak with Miami-Dade County to determine whether the report can be modified to include more detailed information that will support the distribution of BTR Revenue to the City, rather than just the dollar amount.
- **Implementation Date:** The FD will speak to Miami-Dade County by July 2015.

AUDIT FINDINGS AND RECOMMENDATIONS

CONCLUSION:

Overall, the Office of Code Compliance (OCC) efforts to enforce BTR compliance and collect fees due to the City need to be improved. Although we noted that the OCC-Revenue Task Force Section (RTF) is conducting door to door inspections of businesses for compliance with BTR requirements, the documentation maintained is insufficient to: substantiate the numbers of inspections and amounts of collections; determine whether inspections are being performed effectively/efficiently; and determine whether the OCC-RTF is meeting its goal of inspecting all City businesses on an annual basis. We also noted that the OCC-RTF does not assess penalties, as mandated by the City Code, to businesses operating in the City without a BTR thereby forfeiting additional revenue due to the City as well as another method to obtain business' compliance with BTR requirements. Lastly, with respect to BTR collections, we determined that the OCC has not complied with the City's Cash Receipts Policy. As a result, we were unable to determine whether collections were adequately safeguarded, reported, and provided to the City's FD-Cashier for processing and deposit in a timely manner.

Details of our findings and recommendations follow:

FINDING 3: PENALTIES WERE NOT ASSESSED RESULTING IN LOSS OF BTR PENALTY REVENUE OF MORE THAN \$100,000

According to Chapter 31 of the City Code, Section 31-39 (b) "Any person engaging in, managing, or operating any business, profession, or occupation without first obtaining a BTR shall be subject to a penalty of **25 percent** of the amount due." In addition, according to Section 31-39 (c) "Any person who engages in any business, occupation, or profession covered by this article, who does not pay the required BTR within 150 days after the initial notice of tax due, and who does not obtain the required BTR is subject to civil actions and penalties, including court costs, reasonable attorneys' fees, additional administration costs incurred as a result of collection efforts, and a penalty of up to **\$250.00.**" Although noted in a prior audit, OCC does not assess the above penalties mandated by the City Code. As a result, OCC is forfeiting additional revenue due to the City as well as an additional method to obtain business' compliance with BTR requirements.

In order to determine the amount of penalty revenue foregone, we analyzed the collections reported by OCC-RTF to determine the amount of money collected from new BTRs (which means the business operated without a BTR, but paid the BTR fees and obtained the license upon inspection by an OCC-RTF inspector). Based on the penalty allowable per City Code, these businesses are subject to a 25% penalty. For FY 2014 the OCC-RTF reported collecting approximately \$2.6 million of which approximately \$1.1 million represents BTR collections ("New" and "Existing") with the balance of collections being attributed to Certificate of Use and Solid Waste/Fire fees. Lastly, we estimated the total "New" BTR Collections as approximately \$405,496, and calculated the forgone **25% allowable penalty** as **\$101,374.**

Based on the OCC-RTF recordkeeping practices we were unable to determine which businesses failed to pay the required BTR fee within 150 days of initial notification. As a result, we were unable to determine how many businesses would have been subject to the additional \$250 penalty and the total revenue foregone due to non-collection of this penalty.

We also noted that the Finance Department has never assessed the \$250 penalty fee when BTR balances are more than 150 days past due.

RECOMMENDATION 3.1: (OFFICE OF CODE COMPLIANCE)

We recommend that OCC assess and collect the appropriate penalties as stipulated in the City Code, when applicable.

- **Office of Code Compliance Response:** OCC has implemented process changes that include notice to businesses and the penalty assessment.
- **Implementation Date:** July 2015

RECOMMENDATION 3.2: (OFFICE OF CODE COMPLIANCE)

We recommend that the Office of Code Compliance improve their recordkeeping practices as follows:

- The reporting of inspections and collections should be segregated into their respective categories (e.g., BTR Collections, CU Collections, SW/Fire Collections) including fees collected from customers who are issued a "Notice of Violation" and subsequently come to the MRC building and pay the FD-Cashier directly (i.e. OCC-RTF should eliminate the practice of reporting collections as "Paid to MRC").
- Also, BTR Revenue collections should be segregated between "New" and "Existing" BTR fees since different penalties apply to each category.

By properly segregating collections into their respective categories, the results of OCC-RTF efforts can be better monitored and used by City Administration and Management of the applicable departments (e.g., Finance, Planning and Zoning, Solid Waste, and Fire-Rescue).

- **Office of Code Compliance Response:** Agreed. OCC has implemented enhanced protocols for record keeping.
- **Implementation Date:** November 2014

RECOMMENDATION 3.3: (FINANCE DEPARTMENT)

To enhance BTR revenues and to enforce City Code, FD should consider charging the \$250 penalty to businesses that have BTR balances greater than 150 days past due.

- **Finance Department Response:** The FD will work with ITD to include the \$250 penalty to businesses that have BTR balances greater than 150 days past due as part of their outstanding invoice.
- **Implementation Date:** The FD will meet with ITD by July 2015.

FINDING 4: OCC SYSTEM OF TRACKING INSPECTIONS DOES NOT PROVIDE THE ABILITY TO ENSURE ALL BUSINESSES ARE INSPECTED FOR COMPLIANCE WITH BTR REQUIREMENTS

For FY 2014, we noted that the Office of Code Compliance (OCC)-Revenue Task Force (RTF) reported performing approximately 27,000 inspections (initial business inspections as well as re-inspections) and collecting approximately \$2.6 million. All of the OCC-RTF inspection and collection data is documented manually and reported to the City Manager on a weekly basis. We relied on these reports to the City Manager for assurance on the numbers of inspections and amounts of

collections; however, due to the OCC-RTF's manual recordkeeping practices we were unable to validate these figures, or determine when business were inspected, or whether all businesses in the City had been inspected (at least once) for compliance with BTR requirements.

Tracking inspections through Cityview, MiamiBiz, or another electronic rather than manual system would assist with ensuring that all businesses in the City are inspected on an annual basis and would provide additional measures useful for tracking performance.

RECOMMENDATION 4: (OFFICE OF CODE COMPLIANCE)

We recommend that OCC investigate the possibility of using Cityview, MiamiBiz, or another electronic system to maintain a record of the inspections performed as well as to ensure that all businesses in the City are inspected on an annual basis for compliance with BTR requirements.

- **Office of Code Compliance Response:** Agree. OCC and ITD are evaluating current business protocols that would address this and integrate data to appropriately transition them into computer software. This action is tentatively going live soon. MiamiBiz will be the default program to track.
- **Implementation Date:** December 2015

FINDING 5: IMPROVE RECORDKEEPING PRACTICES TO ENSURE ACCURATE TRACKING & REPORTING OF INSPECTIONS & COLLECTIONS

Our review of the Revenue Inspector Reports for one Inspector, for one sample week, to verify that inspections for business with BTR fees due and/or on-hold had actually been performed disclosed that:

- The Revenue Inspector Reports were printed from MiamiBiz approximately one month before the inspections were actually conducted. Consequently, when the inspection was performed, the fees due from two (2) businesses had already been remitted to the City.
- The Inspector did not sign off or date the Revenue Inspector Reports as evidence that the inspections were performed.
- Pages were missing from the Revenue Inspector Report. Per discussion with the OCC-RTF Supervisor, when a payment is collected, the page from the "Revenue Inspector Report" is attached with the payment and given to the Finance Department-Cashier for processing. In addition, the OCC-RTF Supervisor indicated there are cases that represent referrals from other sources (e.g., Fire, Finance Departments), for which OCC does not keep a log or any support to track referrals. **As a result of these recordkeeping deficiencies, we were unable to substantiate the numbers of inspections and amount of collections reported by the OCC-RTF.**

Our review of the daily and weekly reports completed by the Revenue Task Force to aggregate the inspection/collection data obtained from each Inspector, disclosed manual calculation errors. These errors, affected the total number of inspections and amounts of collections reported on the weekly memos to the City Manager. Lastly, we were unable to review one Inspector's Daily Revenue Task Force Inspector Reports for one week due to the fact that they had not been scanned and were discarded.

RECOMMENDATION 5.1: (OFFICE OF CODE COMPLIANCE)

The use and maintenance of the Revenue Inspector Reports generated through the Miami Biz System and used by the OCC-RTF to perform inspections, should be improved as follows:

- Revenue Inspector Reports should not be printed more than a week in advance of the actual field inspections. This will ensure the business information reported is the most accurate/up-to-date at the time of inspection (e.g., if business has paid the BTR fees it will be reflected on the report).
- As Inspectors perform field inspections of businesses, the corresponding Revenue Inspector Reports should be signed and dated as evidence of inspections performed. The forms currently contain a field for this information to be documented.
- All Revenue Inspector Reports and support (e.g., violations issued, check copies, copies of applications received, relevant notations, etc.) should be maintained (either physically or electronically scanned) by OCC and filed by Inspector, by date, as evidence of inspections performed. If reports/payments/applications need to be sent to the Finance Department, then copies should be retained for OCC records. Therefore, there should be no documentation missing and inspection/collection counts will correspond with the numbers noted in the Daily/Weekly Reports.
- **Office of Code Compliance Response:** Agreed. Revenue Reports are now printed daily. Inspection pages are now initialed and dated daily by inspector. Daily reports with backup are scanned and stored electronically. OCC keeps the hardcopy backup.
- **Implementation Date:** July 2015

RECOMMENDATION 5.2: (OFFICE OF CODE COMPLIANCE)

We recommend that the OCC improve their recordkeeping practices as follows:

- Revenue Task Force Daily and Weekly Reports should be completed in an electronic spreadsheet format, using formulas, to avoid manual calculation errors and to ensure consistency across Inspectors. The electronic creation and maintenance of the Daily/Weekly Revenue Task Force Inspector Reports would eliminate the problem of missing reports and would allow for improved recordkeeping/reference.
- **Office of Code Compliance Response:** OCC now handles data using electronic spreadsheets and stored electronically. Spreadsheet is printed weekly for director approval.
- **Implementation Date:** July 2015

FINDING 6: ENHANCE COORDINATION BETWEEN OCC AND FINANCE TO ENSURE PROPER FOLLOW-UP & COMPLIANCE

Based on our review of a sample of inspections performed by one Inspector, for one sample week, we noted that:

- For three (3) businesses, the inspector indicated they were "Out of Business;" however, as of the conclusion of our audit fieldwork, the businesses were noted as active in the system.

There was no evidence that the Inspector submitted the request to the City's Finance Department-Customer Service Section to have the account closed.

- For two (2) businesses, the BTR was on-hold because of missing information and/or lack of a Certificate of Use; however, no Notice of Violation was issued.

RECOMMENDATION 6.1: (OFFICE OF CODE COMPLIANCE)

When conducting field inspections, if OCC-RTF Inspectors find that a business has closed, we recommend that OCC create a log to track all closures and forward the documentation (e.g., copy of Revenue Inspector Report with notation of closure) to the Finance Department to void the business in the system and ensure that a renewal billing is not issued.

- **Office of Code Compliance Response:** When a closed business is found, we input information to the daily report and hand deliver to Finance customer service. We will begin creating a daily log electronically.
- **Implementation Date:** July 2015

RECOMMENDATION 6.2: (OFFICE OF CODE COMPLIANCE)

For businesses that OCC discovers are non-compliant with BTR requirements, either when conducting field inspections and observing the BTR hold on the "Revenue Inspector Report" or through non-compliant businesses referred by the Finance Department (based on businesses missing requirements upon initial application for a BTR), we recommend that OCC immediately issue the business a "Notice of Violation" and create a case in Cityview (the system that tracks the case and alerts the Inspector of the follow-up deadlines) to ensure proper follow-up and compliance.

Also, as discussed further in Recommendation 3.1 above, the businesses should be notified and assessed the applicable penalties for non-compliance (25 percent of the amount due for operating a business without first obtaining a BTR and an additional penalty of up to \$250 for non-compliance within 150 days of notification (City Code, Chapter 31, Section 31-39(b)(c)).

- **Office of Code Compliance Response:** Agreed. Notice of violation will be issued when business is found without a BTR. Notices for the 25% penalty for conducting a business without a BTR will also be implemented.
- **Implementation Date:** July 2015

FINDING 7: ENSURE COMPLIANCE WITH CITY'S CASH RECEIPTS POLICY

For FY 2014, the OCC-RTF reported collecting approximately \$2.6 million; however, they do not follow the collections procedures outlined in the Business Tax Receipts Policies & Procedures Manual provided by the Finance Department-BTR Supervisor, and the City's Cash Receipts Policy. The areas of non-compliance include procedures addressing check endorsements, transferring funds to the Finance Department, Treasury Management Division, and recordkeeping (e.g., receipts). As stated in the City's Cash Receipts Policy, "Good controls are designed to safeguard assets and insure the accuracy and reliability of accounting data. Good controls also promote operational efficiency and ensure adherence to city, state, and federal statutes."

We noted that OCC-RTF Inspectors only manually record monies collected on the Daily Revenue Task Force Inspector Reports. Therefore, due to the absence of receipts/documentation from the

Finance Department, we were unable to verify the amounts of collections reported by the OCC-RTF and we were unable to determine whether collections were adequately safeguarded, reported, and provided to the Finance Department-Cashier for processing and deposit in a timely manner in accordance with the City's Cash Receipts Policy.

RECOMMENDATION 7: (OFFICE OF CODE COMPLIANCE)

We recommend that OCC follow the procedures as outlined in the Business Tax Receipts Policies & Procedures Manual provided by the Finance Department-BTR Supervisor, and the City's Cash Receipts Policy. The areas that should be addressed include check endorsements, procedures for transferring funds to the Finance Department, Treasury Management Division, and recordkeeping (e.g., receipts).

- **Office of Code Compliance Response:** Code Compliance does not handle cash currency. We will resume placing an endorsement stamp from the OCC. When we receive checks, they are hand delivered to the Finance Department. Any check stored overnight in the OCC department is stored under lock and key.
- **Implementation Date:** Completed January 2015