

**Performance Audit:
Business License Administration**

June 2023

City Auditor's Office
City of Atlanta

File #23.03



CITY OF ATLANTA
City Auditor's Office
Amanda Noble, City Auditor
404.330.6750

June 2023

Performance Audit:

Business License

What We Found

The city moved to a new online business licensing system called ATLCORE in October 2020; however, the system was not adequate to meet the city's needs. Because of the system limitations, Revenue staff created manual processes and workarounds for these functions, which increased the risk of incorrect or inappropriate transactions.

We found that Revenue lacked the resources to carry out its enforcement activities. As of September 2022, 8 of the 11 compliance, audit/code enforcement section positions were vacant, resulting in a significant decrease in these activities. Revenue staff had not performed any random audits of business accounts since 2019. The section is not currently conducting any other audits and is actively recruiting to fill the vacant positions.

Code enforcement staff have not performed any analysis to ensure businesses are registered with the City of Atlanta, which impacts the city's business license revenue. We compared the number of Atlanta licensed businesses with the number registered with the Georgia Secretary of State's Corporations Division as active businesses within the city limits, as of December 2022. We identified over 87,000 businesses in the state's database that are not licensed with the city. It is likely that some of these businesses are required to register with the state and the city. The city could significantly increase revenues by improving its enforcement activities.

Some of Revenue's procedures may impact revenues. The office operates on an "honor system" in which business owners self-report gross receipts and other information without supporting documentation. Also, the staff uses business owners' self-identified tax classification to assess taxes owed to the city based on the rates designated in the city code for businesses, but employees were not recording the correct tax rates in ATLCORE, resulting in inaccurate taxes paid to the city.

Why We Did This Audit

We undertook this audit because the Office of Revenue implemented the ATLCORE system during COVID-19 to streamline the business license application and tax collection processes. System failures and staffing reductions resulted in a backlog of business license applications and renewals and longer processing times, leading to complaints from business owners. This audit assesses policies, procedures, and practices to ensure controls are in place to administer the process consistently and in accordance with city code provisions.

What We Recommended

To ensure the city's new business license system meets operational needs, the chief financial officer should:

- ensure that class rates are properly assigned within ATLCORE and the future system
- ensure that the system is capable of carrying out the revenue's business licensing functions, as identified in city code, and that contract deliverables are met

To better align with best practices regarding fee adjustments, the chief financial officer should:

- ensure that staff have access in the system, limited to that needed to do their jobs and require a second level of review for any fee changes

To improve the business license process and ensure that the city receives owed revenue, the chief financial officer should:

- continue efforts to fully staff the Revenue Compliance and Audit section to ensure Revenue audits and field inspections are conducted
- require businesses to provide annual revenue support and require staff to validate reported information

For more information regarding this report, please use the "contact" link on our website at www.atlaudit.org

Management Responses to Audit Recommendations

Summary of Management Responses		
Recommendation #1: We recommend the chief financial officer ensure that class rates are properly assigned within ATLCore and the future system.		
Response: Agree	Status: Implemented	Estimated Completion Date (M/Y): 01/2023
Recommendation #2: We recommend the chief financial officer ensure that interest penalties for delinquent payments are built into the new licensing and permitting system so that business license fees and taxes can be assessed according to city code.		
Response: Agree	Status: Implemented	Estimated Completion Date (M/Y): 12/2021
Recommendation #3: We recommend that the Chief Financial Officer ensure that the system is capable of carrying out the revenue's business licensing functions, as identified in city code, and that contract deliverables performed by the system vendor are reviewed, tested, and approved by leadership before the new licensing system is implemented.		
Response: Agree	Status: Started	Estimated Completion Date (M/Y): 07/2023
Recommendation #4: We recommend that the Chief Financial Officer allow only a limited number of staff to perform adjustments or delete fees and require a second level of review for any fee changes and also ensure that staff have access in the system limited to that needed to do their jobs.		
Response: Agree	Status: Started	Estimated Completion Date (M/Y): 07/2023
Recommendation #5: We recommend that the Chief Financial Officer continue efforts to fully staff the Revenue Compliance and Audit section to ensure revenue audits are conducted routinely in accordance with city code and reviews of multi-year accounts are performed timely and tracked.		
Response: Agree	Status: Partly Implemented	Estimated Completion Date (M/Y): 07/2023

Recommendation #6:

We recommend that the Chief Financial Officer ensure the staff resumes conducting field inspections and periodically compares the businesses registered with the Secretary of State or other data sources to the businesses registered with the city to identify businesses that are out of compliance with the city's registration requirements.

Response:

Agree

Status:

Partly Implemented

Estimated Completion Date (M/Y):

07/2023

Recommendation #7:

We recommend that the Chief Financial Officer require businesses to provide documentation to support reported revenue.

Response:

Agree

Status:

Started

Estimated Completion Date (M/Y):

07/2023

Recommendation #8:

We recommend that the Chief Financial Officer require Revenue staff to validate and correct reported information on business license applications based on documentation received from business owners.

Response:

Agree

Status:

Implemented

Estimated Completion Date (M/Y):

07/2023



CITY OF ATLANTA

AMANDA NOBLE
City Auditor
anoble@atlantaga.gov

STEPHANIE JACKSON
Deputy City Auditor
sjackson@atlantaga.gov

CITY AUDITOR'S OFFICE
68 MITCHELL STREET SW, SUITE 12100
ATLANTA, GEORGIA 30303-0312
<http://www.atlaudit.org>
(404) 330-6452
FAX: (404) 658-6077

AUDIT COMMITTEE
Danielle Hampton, Chair
Daniel Ebersole, Vice Chair
Donald T. Penovi, CPA
Dargan Burns, III

June 1, 2023

Honorable Mayor and Members of the City Council:

We undertook this audit to assess risks associated with current processes relating to the administration of business licenses and collection of occupational taxes. To improve the business license process and ensure that the city receives owed revenue, we recommend Finance continue efforts to fully staff the Revenue Compliance and Audit section to ensure revenue audits are conducted routinely in accordance with city code and ensure staff resumes conducting field inspections to identify businesses that are out of compliance with the city's registration requirements. Our recommendations also focus on the Department of Finance procuring a new system that will limit manual processes and system workarounds and is capable of carrying out Revenue's business licensing functions by confirming that the system vendor meets contract deliverables.

The Audit Committee has reviewed this report and is releasing it in accordance with Article 2, Chapter 6 of the City Charter. We sent a draft report to management on February 23, 2023, and received their response on May 26, 2023. We appreciate the courtesy and cooperation of city staff throughout the audit. The team for this project was Duane Braithwaite, Brandi Bell, and Tiajah Sherman.

Amanda Noble
City Auditor

Danielle Hampton
Chair, Audit Committee

Business License Administration

Table of Contents

Introduction.....	1
Background.....	1
The Office of Revenue Is Responsible for the City’s General Business License Process	2
Business License Registration and Renewals Are Processed Online	4
General Business Licenses Must Be Renewed Annually	5
Occupational Taxes Are Based on Gross Receipts, Number of Employees, and Business Type	7
The City Reported \$55 Million in Fees and Taxes in Business License Revenue in 2021	9
Audit Objectives.....	10
Scope and Methodology	10
Findings and Analysis.....	13
Strengthening System Controls and Enforcement Would Likely Increase Business License Revenue	13
The City Can Likely Increase Business License Revenue Collections	14
Staff Created Manual Workarounds for Processing Licenses Due to System Limitations ...	17
Revenue Does Not Validate Customer Reported Information, Which Could Impact City Revenue	22
The City Accepted a System Found to be Incapable of Carrying Out Key Operations	23
Recommendations	25
Appendices.....	27
Appendix A: Management Review and Response to Audit Recommendations	29

List of Exhibits

Exhibit 1: Business is Required to Display the Occupation Tax Registration Certificate	2
Exhibit 2: Office of Revenue is Responsible for Administering Business Licenses	3
Exhibit 3: Business Licenses Are Processed through ATLCORE.....	4
Exhibit 4: City Charges Penalties for Failing to Renew Licenses by Deadline	5
Exhibit 5: City Posts Renewal Notices in ATLCORE	6
Exhibit 6: Business Owners Complete Annual Renewal Applications Online.....	6
Exhibit 7: Administrative Fees and Occupation Taxes Are Due Annually	7
Exhibit 8: Atlanta Uses 8 Tax Classes for Occupation Taxes	7
Exhibit 9: Calculation for Total Occupation Tax of \$1,678.80 Owed by Sample Business.....	8

Exhibit 10: Professional, Scientific, and Technical Services Represented 15% of Reported Revenue	9
Exhibit 11: Staff Uses Manual Spreadsheet to Validate System-Generated Business Licenses Fees	18
Exhibit 12: Staff Adjusted Fees That Were Erroneously Charged to a Non-Profit Business in ATLCore	19
Exhibit 13: Revenue Staff Deleted Over a Billion Dollars in Fees During 2021 & 2022.....	20
Exhibit 14: Almost \$700 Million in Fees Were Deleted by Non-Supervisory Staff Without Review.....	21

Introduction

The Department of Finance manages and accounts for the city's financial resources. One of its core divisions, the Office of Revenue, is responsible for issuing and renewing general business licenses and collecting related fees and business tax revenues.

We undertook this audit because the Office of Revenue implemented the ATLCORE system during COVID-19 to streamline the business license application and tax collection processes. System failures and staffing reductions resulted in a backlog of business license applications and renewals and longer processing times, leading to complaints from business owners. This audit assesses policies, procedures, and practices to ensure controls are in place to administer the process consistently and in accordance with city code provisions.

Background

[Section 30-65 \(a\)](#) of city code requires businesses operating within the Atlanta city limits to register with the city and obtain a general business license within thirty days of beginning operations, unless the business is exempt under state law or city code; for example, residents who hold professional licenses and register with the state are not required to register with the city before practicing.

The city issues licenses for 22 types of businesses. Registration allows the city to collect occupation taxes, which are taxes authorized by the state ([O.C.G.A. § 48-13-6](#)), and paid to the city for doing business within its limits. Business license taxes are a source of revenue for the city's general fund, and are combined with other tax revenues to provide basic city services, such as police, fire & rescue, and parks services.

Business licenses must be renewed annually. When a business registers with the city and applies for a license, it must pay license fees and taxes both at the time of application and at renewal. Nonregistered businesses are subject to fines, interest, and penalties. Although [Section 30-52](#) of city code exempts governmental and nonprofit entities from paying license fees and taxes, these organizations are still required to register with the city. The business license, called the occupation tax registration certificate (see example in Exhibit 1), is to be displayed in a conspicuous place at the address listed on the license

certificate. Business owners apply for the type of license most appropriately related to their business operations.

Exhibit 1: Business is Required to Display the Occupation Tax Registration Certificate

CITY OF ATLANTA
55 Trinity Avenue SW
Suite 1350
Atlanta GA 30303

OCCUPATION TAX REGISTRATION CERTIFICATE
VALID ONLY WHEN OCCUPATION REGISTRATION TAX
REQUIREMENTS ARE PAID

Business Name: [REDACTED]

Business Location: [REDACTED]
Atlanta, GA 30305

Owner: [REDACTED]

License Number: [REDACTED]

Issued Date: 1/25/2022

Expiration Date: 12/31/2022

Business Type(s): 541990 All Other Professional, Scientific, and Technical Services
541611 Administrative Management and General Management Consulting Services

Mailing Address: No address entered for the Business

License Type: General Business License

Classification: Professional/Scientific/Technical Services

Mohamed Balla
Mohamed Balla, Chief Financial Officer

DISPLAY THIS CERTIFICATE IN A CONSPICUOUS PLACE AT BUSINESS LOCATION. NOT VALID IF BUSINESS LOCATION DOES NOT COMPLY TO CITY ZONING REQUIREMENTS. NOT VALID UNLESS ACCOMPANIED BY STATE OF GEORGIA LICENSE(S) IS REQUIRED. CERTIFICATE NOT TRANSFERABLE IF BUSINESS TERMINATES OR CHANGES OWNERSHIP DURING CERTIFICATE PERIOD. CALL THE BUSINESS LICENSE OFFICE AT 404-330-6270 THIS CERTIFICATE IS SUBJECT TO ALL APPLICABLE ORDINANCES AND LAWS.

TO BE POSTED IN A CONSPICUOUS PLACE

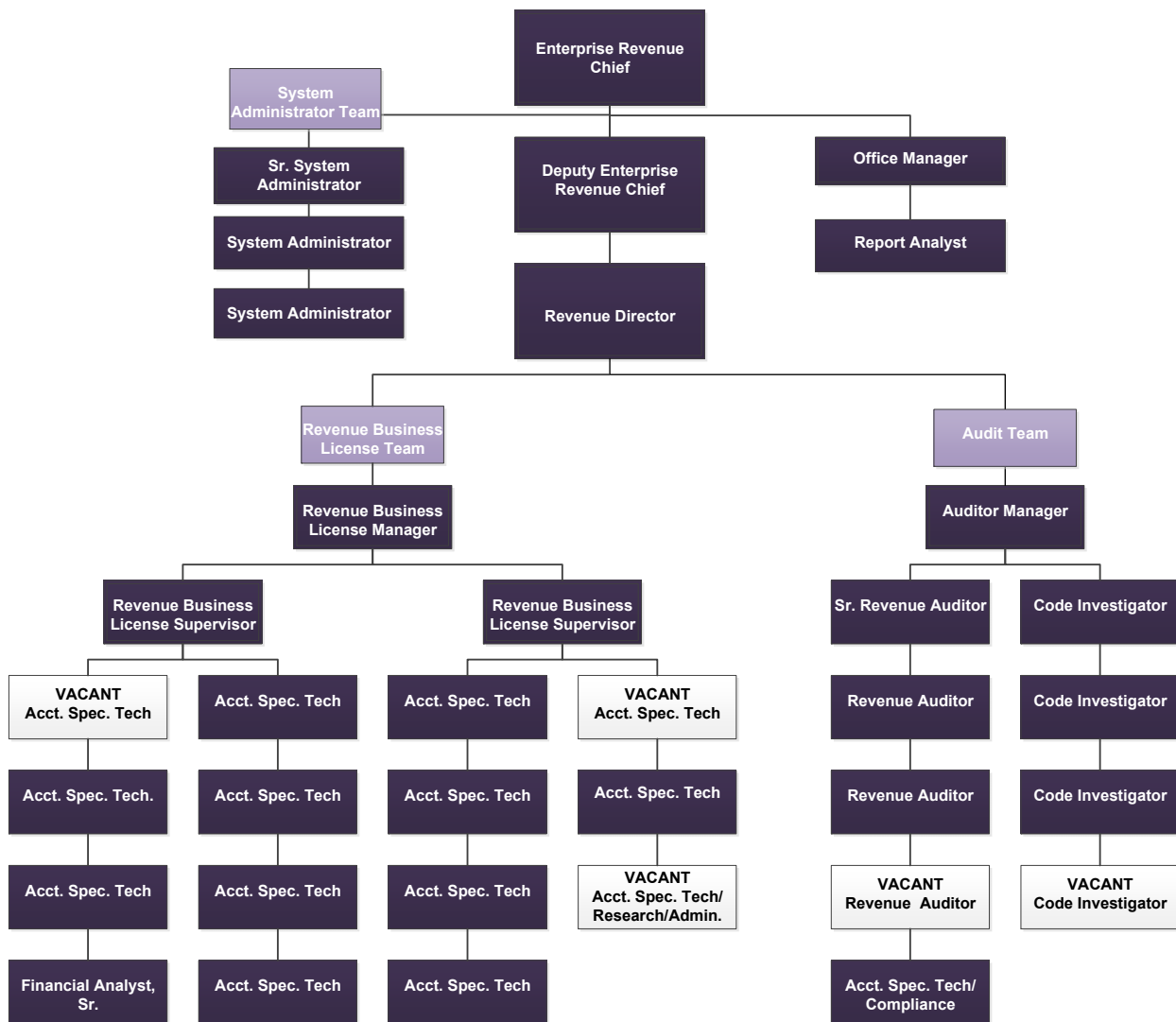
Source: Copy of a general business license certificate provided by Office of Revenue staff

The Office of Revenue Is Responsible for the City’s General Business License Process

The city’s chief financial officer is authorized to collect business license taxes, fees and penalties by [Section 30-54](#) of the city code, and is also authorized by [Section 30-57](#) of city code to: issue registration certificates to businesses after taxes are paid; ensure that taxes and fees are paid and reported business gross receipts are accurate; determine applicable tax exemptions for business owners; and conduct periodic audits of businesses. The Office of Revenue within the Department of Finance reports to the chief financial officer and handles the business licensing processes. Revenue’s Business License and Excise Tax Division is responsible for issuing new and renewed general business licenses. As shown in Exhibit 2, this division consists of two teams:

Revenue Business License and Audit. The Revenue Business License team has one manager, two supervisors, and 15 account specialist tech positions; three positions are currently vacant. The Revenue Business License team is responsible for reviewing all documentation provided by business owners and ensuring that it meets the license requirements. The Audit division has one manager, four revenue auditors, four code investigators, and one account specialist tech; this section currently has two vacant positions. Audit employees are responsible for conducting random audits, and audits of multi-year applications when a business has failed to renew for more than one filing year.

Exhibit 2: Office of Revenue is Responsible for Administering Business Licenses



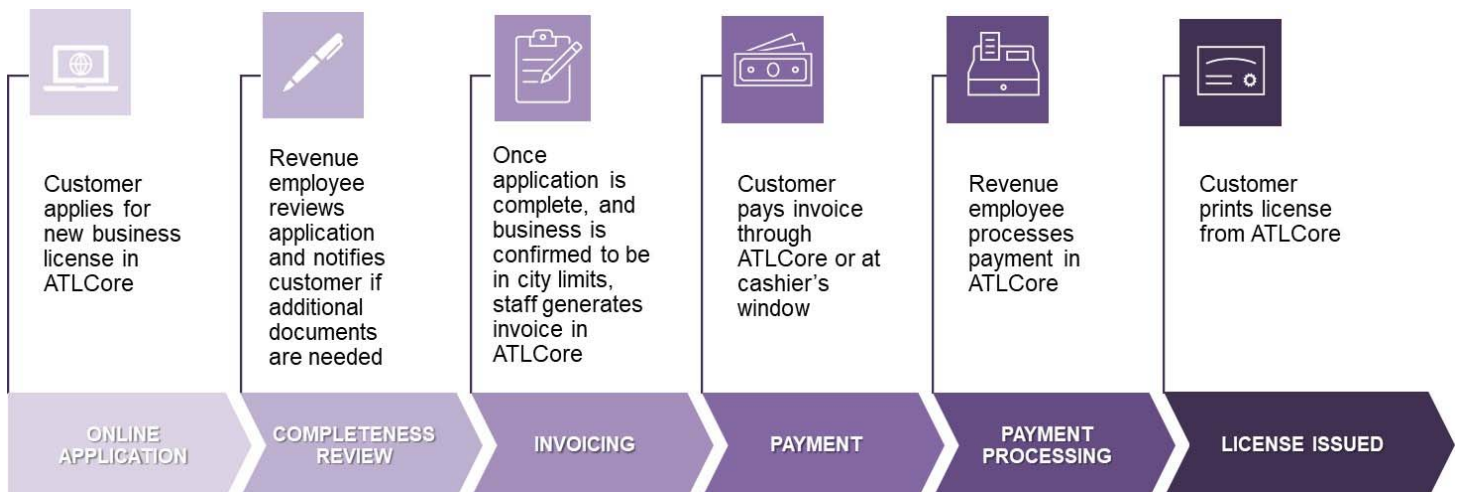
Source: Provided by Revenue staff on 1/17/23

Business License Registration and Renewals Are Processed Online

New business owners are required to register for a license by completing an online application using the city's licensing and permitting system, [ATLCore Business Licensing and Permitting Portal](#). The city began using ATLCore in October 2020, but is in the process of procuring a new system that better meets the needs of the Office of Revenue.

The process for submitting a new general business license application in the system is shown in Exhibit 3. Before beginning the application, the business owner must complete a pre-zoning check online (linking to the Department of City Planning's website) to confirm whether the business is located within the city limits. The applicant must then register for an account online, submit an application and upload required supporting documents. New applicants must submit a government-issued photo ID, and notarized [SAVE](#) & [E-Verify affidavits](#). A SAVE (Systematic Alien Verification for Entitlements) affidavit is used to determine the immigration status of applicants for public benefits. The E-Verify affidavit confirms that employees are authorized to work in the United States. Additional documentation may be required, depending on the type of business. Office of Revenue's staff may take up to 30 business days to review the application and verify that all required documents are present and complete.

Exhibit 3: Business Licenses Are Processed through ATLCore



Source: Prepared by auditors using information from the Office of Revenue's website

Revenue employees also forward the application to the Office of Zoning and Development, whose staff confirm that the business is located within city limits by searching the address in the (GIS) geographic

information system database. Zoning staff also ensure that the business conforms to the regulations of the district in which it is located, in accordance with [Section 16-30.007](#) of the city code. Once Zoning staff approve the application, they enter it into Accela, the city's licensing and permitting software. This information is forwarded back to Revenue for processing.

Once the application is processed by both Revenue and Zoning employees, Revenue employees then prepare an invoice, which includes an application fee, zoning fee, and occupational taxes. The invoice is sent to the business owner through email. After the business owner pays the invoice, they are able to print the business license directly from ATLCORE.

General Business Licenses Must Be Renewed Annually

Although businesses may apply for and obtain a new license at any time, all licenses expire on December 31st of each year. Owners must renew annually using ATLCORE. The renewal period begins each year on January 1st, and business owners must register with the city by February 15th to renew existing licenses. According to [Section 30-69](#) of the city code, if the registration is not completed by the deadline, the city will assess a \$500 penalty. Payments for business license fees and taxes are due by April 1st. Failure to pay taxes and fees by April 1st will result in a \$500 late fee, and delinquent taxes due will accrue interest at 1.5% per month. Additional penalties may be assessed if a business owner is convicted in Municipal Court of violating renewal requirements, including a 10% penalty on estimated taxes or \$100, whichever is greater (see Exhibit 4).

Exhibit 4: City Charges Penalties for Failing to Renew Licenses by Deadline

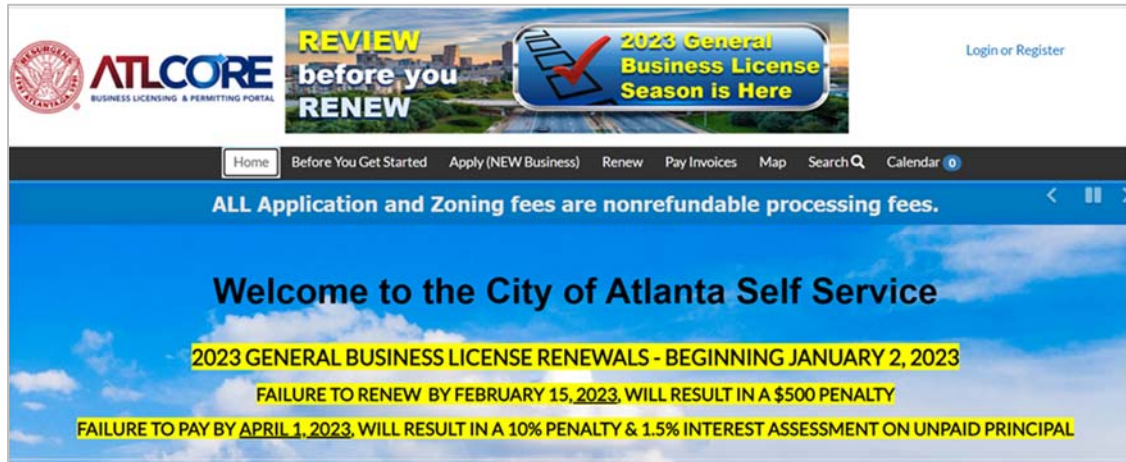


Source: Sections 30-69 of city code

Renewal notices are posted in ATLCORE, as shown in Exhibit 5. Revenue also partners with ATL311, which is a non-emergency city service that distributes a renewal notification through [NOTIFYATL](#) to business owners

in December. The automated system alerts business owners of the deadlines for registration and payment, applicable penalties for late registrations and payments, requirements for renewing online, and additional resources for customer concerns.

Exhibit 5: City Posts Renewal Notices in ATLCORE



Source: [ATLCORE](#)

The process for renewing an existing business license is shown in Exhibit 6. Similar to the initial application, SAVE and E-Verify notarized affidavits must be submitted, along with a government-issued photo ID. Owners must also submit the prior year's actual gross revenue and number of employees. Once documents are submitted, Revenue conducts a completeness review, which may take up to 30 business days. Revenue employees will also verify that the business license is up-to-date and the business has not missed a renewal. After the internal review, business owners are invoiced for a registration fee and occupational taxes. After fees are paid in full, the business owner can print the renewed license online.

Exhibit 6: Business Owners Complete Annual Renewal Applications Online



Source: Office of Revenue's website

Occupational Taxes Are Based on Gross Receipts, Number of Employees, and Business Type

Both new and renewal business license applicants pay non-refundable administrative fees to process license applications, along with occupation taxes. New registrants must also pay a one time zoning review fee, as shown in Exhibit 7.

Exhibit 7: Administrative Fees and Occupation Taxes Are Due Annually

License Type	Administrative Fee	Zoning Review Fee	Occupation Taxes
New Business License	\$75	\$50	<ul style="list-style-type: none"> \$50 minimum due Flat rate applied to first \$10,000 of gross receipts Tax rate per \$1,000 applied to receipts above \$10,000
Business License Renewal	\$75	N/A	

Source: Sections 30-61 and 30-62 of city code

Businesses pay occupation tax to the city that is based on gross receipts, number of employees, and the type of business, as designated by the business' tax classification. When businesses apply for their license in ATLCORE, the owner selects the appropriate NAICS ([North American Industry Classification System](#)) code to classify their business operations. NAICS is a comprehensive industry classification system that groups establishments into industries based on the similarity of their production processes. The city assigns rates to each tax class (shown in Exhibit 8), which represents the various NAICS classifications.

Exhibit 8: Atlanta Uses 8 Tax Classes for Occupation Taxes

Tax Class	Flat Rate \$0-\$10,000.00	Tax Rate per \$1,000.00
1	\$50.00 Plus	\$0.60
2	\$50.00 Plus	\$0.75
3	\$50.00 Plus	\$0.85
4	\$50.00 Plus	\$1.10
5	\$50.00 Plus	\$1.40
6	\$50.00 Plus	\$1.65
7	\$50.00 Plus	\$1.90
8	\$50.00 Plus	\$2.15

Source: City of Atlanta Municipal Code ([Sec 30-62](#))

The current year's tax is based on estimated gross revenue, based on the prior year's actual gross revenue. Gross revenue is an estimate at this point and is reconciled each year when tax information is reported. According to [Sections 30-61 and 30-62](#) of the city code, occupation taxes are calculated based on the total self-reported gross receipts the business generates and number of employees. A fee of \$25 is charged for each employee, and the first employee is exempt. Taxes are computed after a flat minimum tax of \$50 for the first \$10,000 by using the rate indicated by the business's tax class. The city also charges a non-refundable administrative fee of \$75, for handling and processing the business license application. Occupation taxes are not assessed on gross receipts above \$200 million.

For example, the business shown below in Exhibit 9 obtained a business license in 2021, and reported gross receipts, tax class, and number of employees. Based on reporting \$1,084,143 in gross revenue, employing six people, and having a tax class of five, this business owed \$1,678.80 in occupation taxes to the city.

Exhibit 9: Calculation for Total Occupation Tax of \$1,678.80 Owed by Sample Business

Occupation Tax Owed by Sample Business:	
<i>Self-reported gross revenue - \$1,084,143</i>	
<i>Number of employees: 6</i>	
<i>Tax class – 5 (Rate=\$1.40)</i>	
Calculation:	
Minimum tax:	\$50 for first \$10,000 of gross receipts
Revenue applied to tax class rate:	\$1,084,143 - \$10,000 = \$1,074,143
Applied tax:	$(\$1,074,143 / 1,000) \times \$1.40 = \$1,503.80$
Employee portion of tax:	$(6 - 1) \times \$25 = \125
Net tax due:	Minimum tax + Applied tax + Employee portion of tax $(\$50 + \$1,503.80 + \$125) =$ \$1,678.80

Source: ATL Core, and Sections 30-61 and 30-62 of city code

The City Reported \$55 Million in Fees and Taxes in Business License Revenue in 2021

The Office of Revenue reported approximately \$55 million in fees and taxes collected from issuing and renewing general business licenses in calendar year 2021. As of December 2022, ATLCORE showed over 16,400 businesses with active licenses across 19 different NAICS economic sectors, that reported nearly \$36 billion in gross receipts during calendar year 2021 (see Exhibit 10).

Exhibit 10: Professional, Scientific, and Technical Services Represented 15% of Reported Revenue

NAICS Economic Sector Industry Classifications	# Registered City Businesses as of 12/31/22 (NAICS Class)	Total CY2021 Reported Revenue	% of Total Reported Revenue
Professional, Scientific, & Technical Services	2,681	\$5,463,301,850	15.2%
Retail Trade	2,243	\$4,518,242,347	12.6%
Other Services (except Public Administration)	1,978	\$829,245,282	2.3%
Accommodation and Food Services	1,747	\$2,767,205,875	7.7%
Admin, Support, Waste Mgmt & Remediation Svcs	1,465	\$3,104,794,523	8.6%
Real Estate and Rental and Leasing	1,305	\$3,777,624,505	10.5%
Construction	825	\$2,486,973,468	6.9%
Health Care and Social Assistance	737	\$922,832,571	2.6%
Wholesale Trade	735	\$4,421,830,527	12.3%
Non-Profit	558	\$261,012,134	0.7%
Information	513	\$3,013,097,253	8.4%
Arts, Entertainment, and Recreation	347	\$129,391,622	0.4%
Finance and Insurance	300	\$1,882,124,308	5.2%
Transportation and Warehousing	290	\$541,524,261	1.5%
Manufacturing	288	\$1,012,273,801	2.8%
Educational Services	227	\$475,813,437	1.3%
Management of Companies and Enterprises	77	\$76,927,194	0.2%
Missing Business Type	59	\$268,789,243	0.7%
Public Administration	16	\$2,437,923	0.0%
Agriculture, Forestry, Fishing and Hunting	11	\$431,878	0.0%
Utilities	6	\$517,500	0.0%
Total	16,408	\$35,956,391,507	100.0%

Source: Prepared by auditors based on data in ATLCORE

Nearly 4% of these businesses were nonprofits, which do not assign a NAICS classification and do not pay fees or taxes. Fifty-nine of the business records were part of a data recovery effort in February 2022 where the business type was lost.

The largest group of businesses in the city were classified as providing professional, scientific and technical services. These businesses collectively reported grossing nearly \$5.5 billion in revenue in 2022, representing 15.2% of total reported revenues. Services under this classification include accounting, legal, engineering, computer services, advertising, veterinary, and other professional, scientific, and technical services. Retail trades accounted for the second largest registered license classification with reported gross revenues totaling \$4.5 billion.

Audit Objectives

This report addresses the following objectives:

- Are controls in place to administer the business license process consistently and in accordance with city code provisions?
 - What controls are in place to mitigate system failures?
 - Are staffing levels adequate to process business license applications and renewals timely?
-

Scope and Methodology

We conducted this audit in accordance with generally accepted government auditing standards. We reviewed business license processes conducted in calendar years 2021 and 2022. Our review period was after the onset of COVID-19. The city implemented the COVID-19 moratorium where inspections were not conducted and staffing shortage prevented inspections. We limited our review to the assessment of control design rather than control effectiveness, because controls were either lacking or non-existent, and the city is in the process of soliciting for a business license cashiering and permitting system.

Our audit methods included:

- reviewing city and state code to understand the authority for the issuance and renewal of general business licenses and how occupation taxes are assessed
- comparing taxes assessed to business accounts in ATLCORE to the city's tax class rate structure to ensure the system aligned with the business types and rates noted in the city code

- interviewing Revenue staff to flowchart business license applications and renewals, including fee and tax invoicing
- reviewing department policies and procedures to assess alignment with best practices
- comparing registered businesses within the city to the Georgia Secretary of State's Corporations Divisions data to identify potential unlicensed businesses operating within the city
- reviewing user acceptance documents for ATLCore to ensure that all deliverables were met
- reviewing invoice adjustment process of fees and taxes to determine if controls were in place for supervisory review and approval
- evaluating staffing levels to assess whether Revenue's staffing is adequate to achieve business license core objectives
- identifying controls and associated risks within the city's business license issuance and renewal processes to determine whether controls align with best practices

Generally accepted government auditing 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.

Findings and Analysis

Strengthening System Controls and Enforcement Would Likely Increase Business License Revenue

The city moved to a new business licensing system called ATLCore in October 2020, which was intended to allow Office of Revenue staff to process business license applications and renewals online; however, the system was not adequate to meet the city's needs. For example, ATLCore initially did not accurately calculate business owners' fees and occupation taxes; could not easily distinguish nonprofit businesses, which city code exempts from taxes and fees; and could not automatically assess penalties and fees for late payments. Because of the system limitations, Revenue staff created manual processes and workarounds for these functions, which increased the risk of incorrect or inappropriate transactions and strained limited staff resources.

Also, staff told us that Revenue lacked the resources to carry out its enforcement activities. As of September 2022, 8 of the 11 compliance, audit/code enforcement section positions were vacant, resulting in a significant decrease in these activities (see [organizational chart](#) in background section of report). Revenue staff had not performed any random audits of business accounts since 2019. Also, staff told us they performed multi-year account reviews—these are accounts that have missed more than one filing year and are out of compliance with the city's licensing requirements; however, the ATLCore system did not track multi-year account reviews until late 2022. The section is not currently conducting any other audits and is actively recruiting to fill the vacant positions. Enforcement staff resources have also been diverted to help cover some of the manual processes.

Code enforcement staff have not performed any analysis to ensure businesses are registered with the City of Atlanta, which impacts the city's business license revenue. We compared the number of Atlanta licensed businesses with the number registered with the Georgia Secretary of State's Corporations Division as active businesses within the city limits, as of December 2022. We identified over 87,000 businesses in the state's database that are not licensed with the city. It is likely that some of these businesses are required to register with the state and the city. Revenue's code enforcement staff should attempt to validate this information to identify businesses that are not in compliance with the city's licensing requirements. The city could significantly increase revenues by improving its enforcement activities.

Some of Revenue's procedures may impact revenues. For example, Revenue does not require business owners to provide support for reported gross receipts, which is the basis for determining taxes owed to the city. Instead, the office operates on an "honor system" in which business owners self-report gross receipts and other information without supporting documentation. Also, the staff uses business owners' self-identified tax classification to assess taxes owed to the city based on the rates designated in the city code for businesses, but some tax rates were incorrectly migrated into ATLCore, resulting in inaccurate taxes paid to the city. After we briefed Revenue about the mismatch between some tax rates and NAICS codes, they told us they worked with the vendor and have since corrected it in the system.

Our recommendations to the chief financial officer focus on ensuring that the Office of Revenue procures a new licensing and permitting system that meets the office's needs, facilitates accurate revenue calculation and tracking, and eliminates the need for manual workarounds. Our recommendations also suggest more effective controls around the manual processes until a new system is obtained. We also recommend that the office fill vacant enforcement positions and task those staff with conducting audits and other compliance functions. This will help ensure that businesses comply with the city's license requirements and maximize the city's revenue collections.

The City Can Likely Increase Business License Revenue Collections

We identified 87,027 entities with business addresses within city limits and registered in the state's corporation database that have not registered with the city. It is likely that some of these businesses are required to register with the state and the city. We also found that of the 21,843 businesses either registered with the city or actively seeking licensure, 11.4% may have been charged incorrect taxes because the correct tax rates were not assigned to the business' NAICS classification. If not corrected by staff, these businesses were charged rates that could be either higher or lower than the amount owed. We recommend the chief financial officer ensure that the correct tax rates are assigned to the correct NAICS classification in ATLCore.

The Revenue Compliance and Audit section is responsible for conducting audits, reviews, and field inspections to identify businesses that are out of compliance with the city's business license requirements. The former mayor issued an executive order in March 2020 requiring non-essential businesses to cease all physical operations due to the onset of COVID-19 pandemic. Revenue staff could not perform field inspections as a result of the mayor's executive order. We also found that the

section has experienced significant staff turnover since 2020, which has hindered the office from performing business tax audits or conducting reviews of businesses that have missed more than one license renewal and are out of compliance with the city's licensing requirements. To ensure that the city is enforcing the code and maximizing its revenue, we recommend the chief financial officer continue recruitment efforts to fully staff the Revenue Compliance and Audit section. We also recommend that the chief financial officer ensures the staff resumes conducting field inspections and periodically compare the businesses registered with the Secretary of State or other data sources to the businesses registered with the city to identify businesses that are out of compliance with the city's registration requirements.

Revenue's enforcement employees have not conducted random business tax audits since 2019, and ATLCORE has not consistently tracked multi-year account reviews. [Section 30-57\(5\)](#) of the city code provides that one of the duties of the chief financial officer is to periodically conduct audits of business records to ensure that the correct amount of tax is being assessed and collected. Revenue auditors in the Revenue Compliance and Audit section are responsible for conducting random audits, as well as audits of businesses that have missed more than one renewal and are out of compliance with the city's licensing requirements—these are called multi-year accounts.

Revenue staff told us the last random audit completed was in December 2019, because resources were limited and were directed to perform other business functions, such as processing license applications. As of February 2023, the Revenue Compliance and Audit section had 10 positions, including 2 vacancies; 4 staff are revenue auditors and 1 of these positions is vacant.

Also, although the Revenue Compliance and Audit section performed some multi-year reviews on business accounts, the office has a backlog of reviews, and staff did not begin tracking these reviews in ATLCORE until late 2022. Staff told us there is a backlog of multi-year account reviews because only one employee was assigned to review the accounts. Staff also told us they cannot identify the number of accounts in multi-year status because they have not consistently tracked them in ATLCORE.

We recommend the chief financial officer continue efforts to fully staff the Revenue Compliance and Audit section to ensure revenue audits are conducted routinely in accordance with city code and reviews of multi-year accounts are performed timely and tracked.

Staff do not perform analysis or field inspections to ensure businesses are registered with the city. The Revenue Compliance and Audit section has four code investigator positions, which includes one vacancy. Staff told us that within the last few years, field inspections have not been conducted because of the COVID-19 protocol put in place by the former mayor, and staff turnover. Employees could review publicly available information to identify businesses that are within city limits that have failed to renew with the city, potentially enhancing revenue.

We obtained a database of [state corporations data](#) from the Georgia Secretary of State's Corporation Division as of December 2022; this includes all active corporations registered with the state. From this data, we identified 108,870 business entities registered with the state within Atlanta city limits. The city, by contrast, has 21,843 businesses that are either license holders, or seeking licensure, leaving a gap of just over 87,000 between the two counts. It is not likely that all of the businesses registered with the Secretary of State office are businesses required to register with the city due to the city and state exemptions as well as instances in which a business may have registered with the state but are not conducting business. Despite this, it is highly likely that some of these businesses should have registered with the city and failed to do so; Revenue should review the information to identify that businesses are out of compliance.

According to [Sec. 30-59](#) of the city code, the chief financial officer can authorize compliance investigators to conduct investigations, these investigators are eligible to apply for status as code enforcement agents, which allows them to enforce the city code and issue citations. Industry practices suggest that funding allotted towards enforcement generates a projected return on investment of \$4.50 in revenue for every dollar spent on enforcement. To ensure that the city is enforcing the code and maximizing its revenue, we recommend the chief financial officer continue recruitment efforts to fully staff the Revenue Compliance and Audit section. We also recommend that the staff resumes field inspections and periodically compare the businesses registered with the Secretary of State or other data sources to the businesses registered with the city to identify businesses that are out of compliance with the city's registration requirements.

We found that 11% of businesses license holders were charged an incorrect tax rate because the rates assigned to the NAICS codes were incorrect. When business owners apply for a license, owners must select the applicable NAICS code, which has a corresponding tax rate. If these rates are not properly aligned with the correct NAICS

code, the business may have been charged an incorrect rate, which could have been either higher or lower than the correct rate. Of the 21,843 businesses either registered with the city or actively seeking licensure, we found that 11.4% were assigned an incorrect tax rate, compared to the city's tax structure. We identified 2,487 instances in which the incorrect tax rate was assigned to a NAICS code. We found that 80% (1,991 businesses) of that population consisted of two NAICS classifications: Administrative Management and General Management Consulting Services; and New Single-Family Housing Construction. To confirm whether ATLCore was charging the correct tax rate on these two NAICS classification codes, we pulled a random sample of 50 businesses—25 from each classification—and found that of the 50 samples, all were assigned incorrect tax rates.

Revenue staff told us that the system vendor was responsible for aligning the class rate with the appropriate NAICS code in the system; however, city staff did not validate the tax rates in ATLCore during data migration to ensure that the rates matched the city's rates. Failure to validate the tax rates may have resulted in businesses either overpaying or underpaying taxes, unless the amounts owed were corrected by staff. We have brought this to the staff's attention, and they are currently in the process of validating the tax rates. We recommend that the chief financial officer ensure that class rates are properly assigned within ATLCore and the future system. According to Finance, the classification tax rate table in the system was corrected as of January 2023.

Staff Created Manual Workarounds for Processing Licenses Due to System Limitations

Revenue staff created manual workarounds to process business license applications because certain system functions in ATLCore did not operate as needed. Employees validate system-calculated business license fees and taxes with an Excel spreadsheet because system-generated amounts were often incorrect. Staff told us ATLCore generated incorrect fees in about 90% of the calculations. According to staff as of November 2022, the manual calculator is only being used to verify system-calculated fees for multi-year reviews. In order to correct incorrectly generated fees, and adjust or delete fees for other reasons, staff deleted almost \$1.02 billion in invoiced fees and adjusted nearly \$189 million in transactions without requiring a second level of approval. To expedite business license registration and renewals, management allowed all staff to have system privileges to make invoice adjustments without supervisory approval. Implementing manual workarounds without adequate controls, such as second level reviews increases opportunities for errors and fraud. We also found that

ATLCore is unable assess interest penalties for non-payment and charge delinquency fees for failing to register.

We recommend the chief financial officer assign system permissions to staff based on job responsibilities regarding fee adjustments and require invoice fee adjustments be reviewed and approved by supervisory staff before adjustments are made. We further recommend the chief financial officer ensure that “failure to pay” and interest penalties for delinquencies are built into the new licensing and permitting system.

Employees validate system-calculated business license fees and taxes with an Excel spreadsheet. According to staff, the system does not accurately bill business owners; employees told us ATLCore had about 90% error rate when generating fee calculations. Staff told us the incorrect fees were identified during testing of the ATLCore system but were not addressed before the system was implemented. To validate the system-calculated fees, the system administrator team developed a “manual calculator,” which is an Excel spreadsheet, as shown in Exhibit 11. The manual calculator is used to validate invoice fees for the current period and compare estimated receipts to actual receipts to ensure that the appropriate taxes are paid for renewal applicants. If not validated, or validated incorrectly, license applicants could be charged incorrect fees and taxes.

Exhibit 11: Staff Uses Manual Spreadsheet to Validate System-Generated Business Licenses Fees

NEW			TAX RATE STRUCTURE		
TAX RATE	1	1.10	CUSTOMER PROVIDED	TAX CLASS	TAX RATE PER \$1000.00
CURRENT REVENUE	2	\$0.00		1	0.60
CURRENT EMPLOYEES	3	1	2	0.75	
VOLUME RATE	4	\$50.00	3	0.85	
EMPLOYEE RATE	5	\$0.00	4	1.10	
REGISTRATION FEE	6	\$75.00	5	1.40	
TOTAL TAX DUE	7	\$125.00	6	1.65	
			7	1.90	
			8	2.15	
RENEWAL					
TAX RATE	8	1.10	CURRENTLY IN ENERGOV		
PREV PROJECTION	9	\$0.00			
PREV EMPLOYEES	10	1	CUSTOMER PROVIDED		
CURRENT REVENUE	11	\$0.00			
CURRENT EMPLOYEES	12	1			
FEE ADJUSTMENT DUE	18	\$0.00			
VOLUME RATE (Current Year)	13	\$50.00	*Current Year Calculations* This section calculates the current year fees.		
EMPLOYEE RATE (Current Year)	14	\$0.00			
REGISTRATION FEE	15	\$75.00			
TOTAL TAX DUE	17	\$125.00			
					16

Source: Auditor screenshot of manual calculator used by OOR staff to validate system calculation of business license fees

The \$75 registration fee is standard (shown by red circle #6 in Exhibit 11). The volume rate (#4) is a formulated cell that is calculated by multiplying the gross receipts by the tax rate; the minimum tax is \$50 regardless of reported revenue. The tax rate (#1) is entered by staff based on the city's tax structure according to the NAICS classification selected by business owners. The employee rate (#5) is calculated by the formula (total number of reported employees - 1 x \$25). Finally, the total tax due (#7) is calculated based on the sum of the volume rate, employee rate, and registration fee. According to staff, the zoning fee is not part of the manual calculator but is understood as a fee for new applicants.

Employees manually adjust or delete fees without supervisory approval or documenting reasons for the adjustments, which could obscure errors and fraud. Partly because fee calculations were found to be unreliable in ATLCORE, staff re-calculate fees using the EXCEL spreadsheet shown in Exhibit 11, and manually correct invoices when needed. Staff told us fee adjustments are also made for other reasons, including waiver approvals, duplicate accounts, and denied or withdrawn applications. When changes need to be made, staff manually adjust invoice amounts; some fees are deleted completely. Management staff told us that if there was a need for a fee adjustment, an employee was to inform a supervisor, who would perform the adjustment; however, we found that non-supervisory staff performed adjustments without supervisory authorization or review.

Exhibit 12 shows fees deleted by staff that were invoiced to a nonprofit business account. Non-profit organizations are required to register with the city; however, according to Section 30-60(b) of city code, those organizations are exempt from paying occupation taxes, regulatory, or administrative fees.

Exhibit 12: Staff Adjusted Fees That Were Erroneously Charged to a Non-Profit Business in ATLCORE

FEES (1) DISCOUNTS ADJUSTMENTS VOIDS									
Fees Due: \$0.00									
<input type="checkbox"/>	Name	Input Value	Base Amount	Discount	Total Amount	Status	Manual	Invoice Number	Notes
<input type="checkbox"/>	Zoning Processing Fee	0	\$50.00		\$50.00	Paid In Full		INV-00083033	
<input type="checkbox"/>	Application Processing Fee - Year 2	0	075.00		075.00	Deleted			
<input type="checkbox"/>	Application Processing Fee - Year 3	0	075.00		075.00	Deleted			
<input type="checkbox"/>	Application Processing Fee - Year 4	0	075.00		075.00	Deleted			
					\$50.00				

Source: Auditor screenshot of a business account's "Fees" in ATLCORE

When employees adjust fees in the system, they are to select a reason code and provide information for the reason in the notes field, but

notes are not being consistently recorded. Also, supporting documentation is not consistently maintained to support the reason, review, and/or approval of adjusted fees for the transactions.

During calendar years 2021 and 2022, data from ATLCore showed that Revenue staff processed almost \$1.02 billion in deleted invoice fees and adjusted transactions totaling nearly \$189 million, as shown in Exhibit 13.

Exhibit 13: Revenue Staff Deleted Over a Billion Dollars in Fees During 2021 & 2022

Transaction Type	2021		2022		(2021 & 2022)
	# Records	Amount	# Records	Amount	Total
Total deletions processed by Business License staff	4,661	\$293,932,596	15,143	\$725,934,810	\$1,019,867,406
Adjustment transactions processed by Business License staff	1,048	\$38,761,722	1,026	\$149,604,421	\$188,366,143

Source: Auditor calculations based on data from ATLCore "Adjustments & Deletions" report

We found that non-supervisory staff processed a significant amount of the transactions during both years. ATLCore data showed that \$687 million in invoice fees were deleted by non-supervisory staff, and \$80.4 million in fees were adjusted by staff without supervisory review or approval (see Exhibit 14).

For example, in 2021, we found that an accounting specialist tech adjusted almost \$34 million in taxes and zoning processing fees for new and renewal licenses; the user's highest adjustment transaction was a \$33,749,261 reduction in business license taxes for a renewed license, which included a note in the system which stated, "fee miscalculation." We also identified a financial analyst within the Revenue Compliance and Audit section who adjusted a total of \$42,090,847 in fees, with the highest being a reduction of a little over \$41.8 million in "License Renewal & Prior Yr Revenue Reconciliation" fees in 2022, with a system note indicating "miscalculation error" for this transaction. Finally, we found that the highest amount of fees deleted, totaling almost \$52.5 million, were processed by a user in a non-supervisory role as a senior customer service representative during 2021.

We identified a total of \$632,411,484 in fees deleted by employees in a non-supervisory role during 2022. Also, a significant amount of these transactions were processed by accounting technical specialists and temporary employees. The transactions included application processing

fees, business license renewal and tax fees, failure to file fees, failure to pay penalties, and zoning processing fees.

Exhibit 14: Almost \$700 Million in Fees Were Deleted by Non-Supervisory Staff Without Review

Transaction Type	2021		2022		(2021 & 2022)	
	# Records	Amount Deleted	# Records	Amount Deleted	Total Amount Deleted	% of Total Invoice Adjustments Processed by Non-Supervisory Staff
Total deletions processed by non-supervisory Business License staff	2,503	\$54,713,579	10,203	\$632,411,484	\$687,125,063	67.4%
Adjustment transactions processed by non-supervisory Business License staff	407	\$36,005,897	469	\$44,389,885	\$80,395,782	42.7%

Source: Auditor calculations based on data from ATLCORE "Adjustments & Deletions" report

Although the fee adjustments may have been justified, because they did not undergo review before business licenses were issued, the validity of the adjustments is questionable. Management allowed all staff to have system privileges to delete invoice fees without supervisory approval, which increases the risk of errors and fraud. According to Cybersecurity & Infrastructure Security Agency (CISA), every program and system user should operate using the least set of privileges necessary to complete the job. Additionally, the Government Accountability Office (GAO) Standards for Internal Control in the Federal Government (Green Book) states that management should "separate the responsibilities for authorizing, processing, recording, reviewing, and handling transactions so that no one individual controls all key aspects of a transaction or event."

We recommend that the chief financial officer allow only a limited number of staff to perform adjustments or delete fees and require a second level of review for any fee changes. The new business license and cashier management system should have controls in place to require a second approval of fee changes. We also recommend that the chief financial officer ensure that staff have access in the system limited to that needed to do their jobs.

ATLCORE is not able to assess interest penalties for non-payment and charge delinquency fees in accordance with city code. According to [Section 30-69 \(c\)](#) of city code, any occupation tax not paid by April 1st will be charged interest at the rate of 1.5% per month. Also, if the tax is delinquent for 90 days after the due date, a penalty of 10% of the tax owed will be assessed along with the interest. ATLCORE does not have

the capability to invoice the 1.5% accrued interest for delinquencies to customers according to city code, and Revenue management told us that employees are not assessing the interest penalties for late payments.

We recommend the chief financial officer ensure that interest penalties for delinquent payments are built into the new licensing and permitting system so that business license fees and taxes can be assessed according to city code. According to staff, a script has been developed to apply the \$500 and 10% penalty, but it is not possible to apply the 1.5% monthly interest penalty.

Revenue Does Not Validate Customer Reported Information, Which Could Impact City Revenue

When business owners apply for or renew a business license, they are required to disclose information such as gross receipt amounts, the number of employees, and business classification, which impacts the amount of business license taxes paid to the city. The city operates on an “honor system” in which business owners are not required to provide documentation to support the reported information.

We reviewed license records in ATLCORE and identified an instance in which a business owner selected an inappropriate NAICS code to classify operations as “Administrative Management and General Management Consulting Services” (541611); however, the business is an entertainment venue and should be classified in the system as “All Other Amusement and Recreation Industries” (713990). The registration certificate currently reflects the incorrect classification, which is displayed for public view. The business is being taxed at a lower rate than it should because the owner selected an incorrect NAICS classification code. City staff could have identified and corrected this error by reviewing tax or other records.

Best practices suggest jurisdictions consider verifying reported gross income compared to state and federal tax records (i.e., Internal Revenue Service, state Department of Revenue, state Department of Insurance, and other authoritative governmental agencies). Also, [Section 30-85\(a\)](#) of the city code states, each business required to pay tax based on gross receipts must provide the latest state tax return or other documentation of statewide tax receipts that is acceptable to the chief financial officer.

Revenue management told us that using the honor system was the decision of prior leadership and has proposed recommendations to the chief financial officer beginning fiscal year 2024 to end this practice and

require business owners to submit financial documents to support reported receipts. Revenue has also proposed eliminating the requirement of SAVE and E-Verify affidavits for renewals. Management's goal is to increase city tax revenue, help identify business underreporting, and align the city's current practices with similarly sized municipality operations. We recommend the chief financial officer require businesses to provide documentation to support reported revenue. We also recommend the chief financial officer require Revenue staff to validate and correct reported information on business license applications based on documentation received from businesses.

The City Accepted a System Found to be Incapable of Carrying Out Key Operations

According to the Office of Revenue, the legacy system was no longer supported, and the city needed a system to continue processing business license applications. The city accepted the ATLCore system although the system was initially incapable of carrying out operations of the office in accordance with city code provisions, such as calculating accurate business license fees, taxes, and penalties, and identifying delinquent businesses, as previously described. Revenue is in the process of procuring a new system that will better meet the needs of the office. Staff informed us that Revenue has begun the process to obtain a new "Business License & Cashier Management System" that provides best practice methods of invoicing, tracking, collecting, and processing payments while improving the efficiency and effectiveness of the City's revenue management operation. We recommend that the chief financial officer ensure that the system is capable of carrying out the Revenue's business licensing functions, as identified in city code, and that contract deliverables performed by the system vendor are reviewed, tested, and approved by leadership before the new licensing system is implemented.

Recommendations

In order to ensure the city's new business license system meets operational needs, the chief financial officer should:

1. ensure that class rates are properly assigned within ATLCORE and the future system
2. ensure that interest penalties for delinquent payments are built into the new licensing and permitting system so that business license fees and taxes can be assessed according to city code
3. ensure that the system is capable of carrying out the revenue's business licensing functions, as identified in city code, and that contract deliverables performed by the system vendor are reviewed, tested, and approved by leadership before the new licensing system is implemented

In order to better align with best practices regarding fee adjustments, the chief financial officer should:

4. allow only a limited number of staff to perform adjustments or delete fees and require a second level of review for any fee changes and ensure that staff have access in the system limited to that needed to do their jobs

In order to improve the business license process and ensure that the city receives owed revenue, the chief financial officer should:

5. continue efforts to fully staff the Revenue Compliance and Audit section to ensure revenue audits are conducted routinely in accordance with city code and reviews of multi-year accounts are performed timely and tracked
6. ensure the staff resumes conducting field inspections and periodically compare the businesses registered with the Secretary of State or other data sources to the businesses registered with the city to identify businesses that are out of compliance with the city's registration requirements
7. require businesses to provide documentation to support reported revenue

8. require Revenue staff to validate and correct reported information on business license applications based on documentation received from business owners

Appendices

Appendix A: Management Review and Response to Audit Recommendations

Report # 23.03	Report Title: Business Licenses Administration	Date: May 2023
Recommendation 1:		
We recommend the chief financial officer ensure that class rates are properly assigned within ATLCORE and the future system.	Risk Category: Revenue Collection & Cost Recovery	Response: Agree
Related Findings:		
1. We found that 11% of business license holders were charged an incorrect tax rate because the rates assigned to the NAICS codes were incorrect.		
Proposed Action:		Current Status:
The NAICS codes and corresponding class rates have been corrected by Tyler Technologies. The Office of Revenue's system administrator team has verified and thoroughly tested the NAICS code correction made within the system.		Implemented
Business Owner: Sr. System Administrator, Cassandra Coley; Revenue Director, Marlene Jackson; Deputy Revenue Chief, Sophia Thomas		Estimated Implementation Date (M/Y): 01/2023
Additional Comments:		

Recommendation 2:		
We recommend the chief financial officer ensure that interest penalties for delinquent payments are built into the new licensing and permitting system so that business license fees and taxes can be assessed according to city code.	Risk Category: Revenue Collection & Cost Recovery	Response: Agree
Related Findings:		
1. ATLCORE is not able to assess interest penalties for non-payment and charge delinquency fees in accordance with city code.		
Proposed Action:		Current Status:
The current system will impose the \$500 penalty and the 10% penalty (new submissions only) automatically. The 1.5% monthly interest has to be manually added to the existing invoices monthly. Internally, a script runs that only provides the interest rate used to total a late percentage. As a result, this resolution has been fully implemented. This automatic calculation will be an explicit requirement for the new licensing and cashing system.		Implemented
Business Owner: Sr. System Administrator, Cassandra Coley and Revenue Chief, Lawrence Davis, Jr.		Estimated Implementation Date (M/Y): 12/2021
Additional Comments: The implementation date of this corrective action will correlate with the implementation of the new system.		

Recommendation 3: We recommend that the Chief Financial Officer ensure that the system is capable of carrying out the revenue's business licensing functions, as identified in city code, and that contract deliverables performed by the system vendor are reviewed, tested, and approved by leadership before the new licensing system is implemented.	Risk Category: Contract Management	Response: Agree
Related Findings: 1. The city accepted a system found to be incapable of carrying out key operations.		
Proposed Action: The following will be addressed during the evaluation, implementation and delivery of the new licensing and cashiering system: <ul style="list-style-type: none"> • Further defined scope of work based on lessons learned • New system project plan • Evaluator Team • Engagement of Outside Consultants • Project Management approach • Parallel System Testing • Education and training campaign • Sign-off of contract deliverables only after confirmation of completion, adequate user testing and compliance, and acceptance 	Current Status: Started	
Business Owner: Revenue Chief, Lawrence Davis, Jr., Deputy Revenue Chief, Sophia Thomas, Sr. System Administrator, Cassandra Coley and Revenue Director, Marlene Jackson	Estimated Implementation Date (M/Y): 07/2023	
Additional Comments: The implementation date of this corrective action will correlate with the implementation of the new system.		

Recommendation 4: We recommend that the Chief Financial Officer allow only a limited number of staff to perform adjustments or delete fees and require a second level of review for any fee changes and also ensure that staff have access in the system limited to that needed to do their jobs.	Risk Category: Safeguard Assets	Response: Agree
Related Findings: 1. Employees manually adjust or delete fees without supervisory approval or documenting reasons for the adjustments, which could obscure errors and fraud.		
Proposed Action: Management acknowledges that there have been deficiencies in processes due to the data conversion and miscalculations of the existing software. Additionally, pre-defined system-required reason codes and pre-populated verbiage will be required as a part of the new system software and will require management-level approval. Staff will undergo training on the process and designation of reason codes.	Current Status: Started	
Business Owner: Revenue Director, Marlene Jackson; Deputy Revenue Chief, Sophia Thomas and Revenue Chief, Lawrence Davis, Jr.	Estimated Implementation Date (M/Y): 07/2023	
Additional Comments: The implementation date of this corrective action will correlate with the implementation of the new system.		

<p>Recommendation 5:</p> <p>We recommend that the Chief Financial Officer continue efforts to fully staff the Revenue Compliance and Audit section to ensure revenue audits are conducted routinely in accordance with city code and reviews of multi-year accounts are performed timely and tracked.</p>	<p>Risk Category:</p> <p>Revenue Collection & Cost Recovery</p>	<p>Response:</p> <p>Agree</p>
<p>Related Findings:</p> <ol style="list-style-type: none"> 1. Revenue's enforcement employees have not conducted random business tax audits since 2019, and ATLCORE has not consistently tracked multi-year account reviews. 		
<p>Proposed Action:</p> <p>The current EnerGov platform has not been fully capable of customer submission of multi-year applications, nor the systematic tracking or processing of same. Currently, tracking is being performed manually. Enforcement employees were purposely reassigned to processing business license renewal operations to address the prior backlog of documents due to system incapacities and vacancies. An increase in staffing resources has resulted in real-time processing of multi-year applications effective March 2023. As a result, this resolution has been fully implemented. Additionally, the audit team has since been staffed with three additional audit resources and will reconvene the standard sample audit practice commencing July 2023.</p>	<p>Current Status:</p> <p>Partly Implemented</p>	
<p>Business Owner: Revenue Director, Marlene Jackson</p>	<p>Estimated Implementation Date (M/Y): 07/2023</p>	
<p>Additional Comments:</p>		

<p>Recommendation 6:</p> <p>We recommend that the Chief Financial Officer ensure the staff resumes conducting field inspections and periodically compares the businesses registered with the Secretary of State or other data sources to the businesses registered with the city to identify businesses that are out of compliance with the city's registration requirements.</p>	<p>Risk Category:</p> <p>Revenue Collection & Cost Recovery</p>	<p>Response:</p> <p>Agree</p>
<p>Related Findings:</p> <p>1. Staff do not perform analysis or field inspections to ensure businesses are registered with the city.</p>		
<p>Proposed Action:</p> <p>During the COVID-19 pandemic, and while the executive order was in place, field inspections were suspended. Staff was purposely reassigned to process business license renewals, and the office experienced high attrition during this time. Over the last several months, we have onboarded three new code enforcement officers and have one remaining vacancy. We have partnered with the Code Enforcement teams of both the Municipal Court and APD to assist in field training of new officers, and as a result, have resumed limited field inspections effective February 2023. A full rollout of inspections is currently pending the completion of field training and the completion of sworn officer certification.</p> <p>A process by which to conduct a comparison of GA Secretary of State vs City of Atlanta business registration data will be further evaluated and implemented if effective in FY24. Once a thorough and efficient process is developed to cross-reference data from the appropriate source, periodic comparisons will be completed accordingly.</p>		<p>Current Status:</p> <p>Partly Implemented</p>
<p>Business Owner: Revenue Director, Marlene Jackson</p>		<p>Estimated Implementation Date (M/Y): 07/2023</p>
<p>Additional Comments:</p>		

<p>Recommendation 7:</p> <p>We recommend that the Chief Financial Officer require businesses to provide documentation to support reported revenue.</p>	<p>Risk Category:</p> <p>Revenue Collection & Cost Recovery</p>	<p>Response:</p> <p>Agree</p>
<p>Related Findings:</p> <p>1. Revenue does not validate customer-reported information, which could impact city revenue.</p>		
<p>Proposed Action:</p> <p>The Office of Revenue has begun discussion with the Department of Law to address the implementation of the existing ordinance requirements, and, where appropriate, updates to the code/charter.</p>		<p>Current Status:</p> <p>Started</p>
<p>Business Owner: Revenue Chief, Lawrence Davis, Jr.</p>		<p>Estimated Implementation Date (M/Y): 07/2023</p>
<p>Additional Comments:</p>		

<p>Recommendation 8:</p> <p>We recommend that the Chief Financial Officer require Revenue staff to validate and correct reported information on business license applications based on documentation received from business owners.</p>	<p>Risk Category:</p> <p>Revenue Collection & Cost Recovery</p>	<p>Response:</p> <p>Agree</p>
<p>Related Findings:</p> <p>1. Revenue does not validate customer reported information, which could impact city revenue.</p>		
<p>Proposed Action:</p> <p>As a part of normal procedure, the Office of Revenue’s compliance team does validate, and correct customer-reported gross receipts and or number of employees during the multi-year / audit review process. This process requires customer submission of supporting Tax returns or alternate financial documents in order to validate and true-up accounts during the reconciliation and invoicing process. Understaffing during the period under review caused inconsistencies in following this process, but has been addressed, and currently, only one vacancy remains.</p>		<p>Current Status:</p> <p>Implemented</p>
<p>Business Owner: Revenue Chief, Lawrence Davis, Jr.</p>		<p>Estimated Implementation Date (M/Y): 07/2023</p>
<p>Additional Comments:</p>		