



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		
<p>Recommendation #1:</p> <p>We recommend the chief financial officer ensure that class rates are properly assigned within ATLCore and the future system.</p>		
<p>Response: Agree</p>	<p>Status: Implemented</p>	<p>Estimated Completion Date (M/Y): 01/2023</p>
<p>Recommendation #2:</p> <p>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.</p>		
<p>Response: Agree</p>	<p>Status: Implemented</p>	<p>Estimated Completion Date (M/Y): 12/2021</p>
<p>Recommendation #3:</p> <p>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.</p>		
<p>Response: Agree</p>	<p>Status: Started</p>	<p>Estimated Completion Date (M/Y): 07/2023</p>
<p>Recommendation #4:</p> <p>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.</p>		
<p>Response: Agree</p>	<p>Status: Started</p>	<p>Estimated Completion Date (M/Y): 07/2023</p>
<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>Response: Agree</p>	<p>Status: Partly Implemented</p>	<p>Estimated Completion Date (M/Y): 07/2023</p>

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