

Audit of the Orange County Tax Collector's Office, Occupational Licensing Function

AUDIT REPORT

Report by the
Office of the County Comptroller

Martha O. Haynie, CPA
County Comptroller

County Audit Division

Director: J. Carl Smith, CPA

Deputy Director: Christopher J. Dawkins, CPA

In-Charge Auditor: Edward T. Brennan, CIA, Senior Auditor

Staff: Robyn Marino, CPA, Auditor

Audit of the Orange County Tax Collector's Office, Occupational Licensing Function

The Tax Collector's Office is authorized by the Florida Statutes and Orange County Ordinance to issue occupational licenses and collect and distribute the appropriate licensing fees.

February 1999
Report No. 274

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February 9, 1999

The Honorable Earl K. Wood, Tax Collector

We have conducted an audit of the Occupational Licensing function carried out by the Tax Collector's Office. The audit was limited to a determination of compliance with applicable ordinances and regulations, a study of the related internal controls, and an evaluation of the effectiveness and efficiency of operations. The period audited was October 1, 1996 through June 30, 1998. Our audit was conducted in accordance with generally accepted government auditing standards and included such tests as we considered necessary in the circumstances.

Responses to our Recommendations for Improvement were received from you and are incorporated herein.

We appreciate the cooperation of the personnel of the Occupational Licensing Department, and other various organizational units of the Office of the Tax Collector, during the course of the audit.

Martha O. Haynie, CPA
County Comptroller

c: Board of County Commissioners

EXECUTIVE SUMMARY

Executive Summary

We have conducted an audit of the Occupational Licensing Function carried out by the Orange County Tax Collector's Office. The audit was limited to a determination of compliance with existing ordinances and regulations, a study of the related internal controls, and an evaluation of the effectiveness and efficiency of operations. The period audited was October 1, 1996 through June 30, 1998.

The function of issuing occupational licenses, collecting fees, and distributing revenue, was carried out in compliance with existing ordinances and regulations, except for the distribution of revenue to municipalities. The amount calculated and deducted from revenues by the Tax Collector to cover the expense of collecting the fees, as required by Orange County Code Chapter 25, has not been revised for an estimated sixteen years. In recent years the Tax Collector has deducted \$210,000 to cover these expenses when the actual expenses likely exceeded \$400,000.

Some internal control weaknesses were noted. There is insufficient accountability for cash collected and submitted to supervisors for deposit, and Certificate of Deposit Accounts (CDs) are opened and redeemed with only one signature required.

There is a need to expand the program to inform the public of the licensing requirements. Also, more should be done to make optimum use of available information that could be used to identify and bill entities not in the system in a more effective and efficient manner. Of 310 entities identified during the audit either by sampling from various data sources, or by observation of field inspections, 65 (21 percent) did not have current licenses.

When observing inspections of business licenses, we noted an inspector charging a business for the current year only, when prior years were not paid. A written procedure should be in place to require payment for the current and previous three years.

A study to determine the feasibility of simplifying the licensing process should be undertaken. Savings could be achieved and better service provided to the public by making revisions to the license procedures.

There are currently no procedures or reports in place designed to measure the efficiency, effectiveness, or the quality of services, relative to the issuance of occupational licenses. The development and implementation of performance standards could assist the management of the Tax Collector's Office in continually evaluating, and improving, the occupational licensing function.

Except for partially concurring with a recommendation to implement a written procedure for collection of prior year fees, the Tax Collector concurred with all of our recommendations for improvement and corrective action is either planned, underway, or completed as noted herein.

ACTION PLAN

Audit of the Orange County Tax Collector's Office
Occupational Licensing Function
Action Plan

NO.	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS		RECOMMENDATIONS
	CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED	
1.	X			X		<u>We Recommend</u> the Tax Collector implements a procedure to require that, at the end of each day, license specialists turn in all checks and cash collected directly to either the manager or the assistant manager. The amounts transferred should be verified, and a record of the amounts transferred should be prepared and signed by both parties.
2.	X			Completed		<u>We Recommend</u> either the Tax Collector's or the Assistant Tax Collector's signature, in addition to the Accounting Manager's signature, be required in order to open and close CD accounts.
3.	X				X	<u>We Recommend</u> the Tax Collector ensures that the annual cost of collecting the occupational license fees is accurately calculated each year, and deducted from revenues prior to distribution, as required by Florida Statute and Orange County Code. Documentation of the studies performed should be maintained on file. In addition, the Tax Collector should consider deducting incremental amounts from future distributions to the various municipalities to recover overpayments from the past three years.

Audit of the Orange County Tax Collector's Office
Occupational Licensing Function
Action Plan

NO.	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS		RECOMMENDATIONS
	CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED	
4.	X				X	<u>We Recommend</u> the Tax Collector ensures that inspectors make optimum use of all available sources of information, for comparison to the database of current licenses, to determine which ones do not appear to be in compliance with licensing requirements. Also, wherever practical, risk analysis techniques and computerized matching of data from various databases, such as the tangible tax records to the occupational licenses database, should be employed to develop a list of business entities to be inspected.
5.	X				X	<u>We Recommend</u> the Tax Collector develops a more comprehensive program to inform the general public of the licensing requirements. This program could include announcements on the county's television station, an internet web page, brochures and posters placed in conspicuous places such as auto tag agencies, drivers license offices, post offices, public buildings, technical schools, banks, and other public places as deemed appropriate.

Audit of the Orange County Tax Collector's Office
Occupational Licensing Function
Action Plan

NO.	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS		RECOMMENDATIONS
	CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED	
6.						<u>We Recommend</u> the Tax Collector implements the following:
A)	X				X	One or more of the distinguishing characteristics of the licenses be changed annually to facilitate inspection and differentiation by the taxpayers.
B)	X				X	The form used to notify delinquent accounts be clearly marked as an invoice.
7.		X			X	<u>We Recommend</u> the Tax Collector implements a procedure requiring that all inspectors request payment for current and three previous years, including appropriate penalties, when noncompliance is found for past years.
8.	X				X	<u>We Recommend</u> the Tax Collector revises the license renewal process to periodically update licensee information that could include sending out a form requesting changes to the licensee's business operations that impact the amount and how the fee is determined. In addition, the form should be industry specific and note that penalties could apply for not complying with the requested information.

Audit of the Orange County Tax Collector's Office
Occupational Licensing Function
Action Plan

NO.	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS		RECOMMENDATIONS
	CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED	
9.						<u>We Recommend</u> the Tax Collector studies the feasibility of modifying current procedures to include the following:
A)	X				X	After consulting with the County Attorney, determine the feasibility of eliminating the Ordinance requirement to have the occupational license application notarized.
B)	X				X	Accept applications for occupational licenses at Auto Tag Offices and through the mail (or Internet) and forward these applications to Zoning for approval as part of the licensing process. Licenses could then be processed in bulk and returned by mail to the applicants.
10.	X				X	<u>We Recommend</u> the Tax Collector undertakes a project to develop meaningful performance standards for the occupational licensing function.

INTRODUCTION

INTRODUCTION



Background

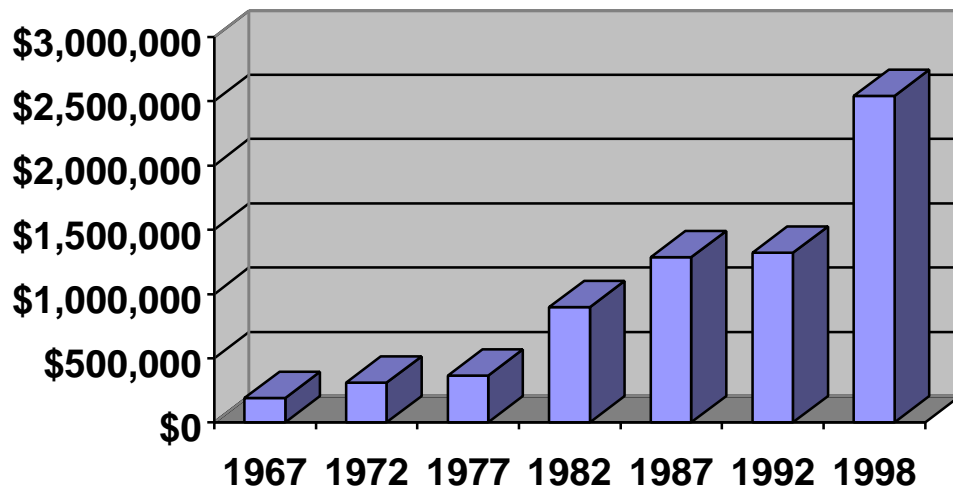
The Orange County Tax Collector is an elected County Officer whose office is authorized by the Florida Constitution. The sale of local occupational licenses is authorized by Florida Statutes Chapter 205, "Local Occupational License Taxes", which charges the Tax Collector with the duty and responsibility of collecting the appropriate taxes (fees) from the sale of the licenses. Orange County Ordinance 80-15, as amended by Orange County Ordinance 94-15, is codified in Orange County Code Chapter 25, and governs the sale of county occupational licenses. To meet this obligation, the Tax Collector operates the Occupational Licenses Department.

The Orange County Board of County Commissioners formally adopts a schedule of fees to be charged for licenses based on recommendations from various sources. License fees vary depending on the occupation being regulated. In Fiscal Year



1998 the Department issued 66,004 licenses and collected taxes (fees) for these licenses totaling \$2,540,672. Revenue from the sale of licenses has increased steadily over the past thirty years as shown in the chart below.

**Occupational License
Revenues 1967-1998**



Scope, Objectives, and Methodology

The Tax Collector is required by Florida Statute Chapter 205 to distribute revenues collected from establishments whose businesses are located within a municipality to the municipalities, based on their respective populations. The Tax Collector is also required to determine the annual cost of collecting occupational license taxes, including overhead expenses, and deduct this amount from the first monies collected each year.

The audit scope is broken down into two functional areas as follows:

Compliance with Laws and Regulations and Internal Controls

The objective of the compliance review was to determine if the Occupational Licenses Function is being carried out in full compliance with Florida Statutes, Orange County Ordinances and applicable internal policies and procedures. In order to achieve our objectives, we performed the following steps:

We selected a sample of licenses and permits to determine if they were issued in compliance with required policies, codes, statutes and regulations. We reviewed the sampled items to ensure the correct fees were paid; deposits were made on a timely basis; policies and procedures were followed; and the transaction was recorded properly.

The objective of the internal control study was to evaluate controls to ensure that assets were adequately safeguarded and verify that revenues collected were properly distributed to applicable municipalities and Orange County. In order to achieve these objectives we performed the following steps:

We reviewed the organization chart, position descriptions, and procedural manuals and interviewed individuals to determine their understanding of their duties and responsibilities.

We obtained an understanding of the accounting system to determine if it is adequate to record revenue accurately and distribute it appropriately to municipalities and Orange County.

We compared the number of licenses issued and the revenue received for the prior three years and obtained explanations for significant variances.

We identified the bank accounts used and reviewed bank reconciliations to ensure that they were being done timely and correctly.

We reviewed the controls over the opening and closing of Certificate of Deposit (CD) accounts. We did not review or evaluate the strategy for using CDs as opposed to other available investments.

We evaluated the procedures used for cash collections and the daily reconciliation of cash received performed by the Department Manager and determined if cash on hand was adequately safeguarded.

We evaluated the security over blank checks and the authorizations for check signing as well as the procedures used for issuing refunds.

We selected a sample of cash disbursements and verified that they were accurate, authorized, and fully supported by appropriate documentation.

We reviewed and evaluated the formula used to distribute revenue to the various municipalities and Orange County to determine if the amounts distributed were correct and in accordance with existing regulations.

Evaluation of Efficiency and Effectiveness

The objectives of this section were, to the extent possible, evaluate the efficiency and effectiveness of the operations of the Occupational Licenses Department and review and evaluate the Tax Collector's licensing enforcement practices.

In order to achieve our objectives we performed the following audit steps:

We reviewed the procedures used to issue licenses and collect fees and evaluated the operations. We also reviewed the procedures used by the City of Orlando and the County of Sarasota to determine if there were alternate methods for performing this function in a more economical and efficient manner.

We evaluated the methods and procedures used to measure the performance of the Occupational Licensing Department in carrying out its assigned functions.

We reviewed and evaluated the methods used to inform the public of the requirements for obtaining occupational licenses.

We reviewed and evaluated the procedures used to enforce the licensing requirements.

We selected judgmental samples of businesses listed in various sources and compared them to the Occupational Licenses Department's database to determine if they were in compliance with licensing requirements.

**Overall
Evaluation**

The occupational licensing function is being carried out materially in compliance with County Ordinances, Florida Statutes, and internal regulations, except for the distribution of revenue to municipalities. We noted the internal controls were adequate, except for insufficient accountability for cash collections and a lack of dual signatures on certificates of deposit. In addition, we believe the licensing and enforcement functions are not being carried out in the most efficient and effective manner possible. Other improvements are needed, as noted in the report.

RECOMMENDATIONS FOR IMPROVEMENT

Internal Controls
Over Cash
Receipts Need
Strengthening

1. Internal Control Over Cash Receipts Should Be Improved

There is inadequate accountability for cash collections. At the end of each workday the cash and checks collected by the license specialists, together with the cash register tapes and their balancing reports, are placed in the safe by the licensing specialists, without verification of the amounts by a manager, and without the issuance of a receipt.

The funds are locked in the safe overnight and removed by the assistant manager (or the manager) the following morning. The manager or assistant manager then verifies the balancing reports and prepares the deposit slips. The funds are later picked up by an armed courier service for delivery to the bank for deposit.

Under the above procedure if no receipt was given, and funds were lost, there would be no accountability for the loss.

We Recommend the Tax Collector implements a procedure to require that, at the end of each day, license specialists turn in all checks and cash collected directly to either the manager or the assistant manager. The amounts transferred should be verified and a record of the amounts transferred should be prepared and signed by both parties.

Management's Response:

We Concur. The employees have proven themselves to be scrupulously honest over many years of service with the Tax Collector's Office. However, procedures are being reviewed with the manager and will be redefined with the Licensing specialists, with more stringent practices in place to provide more internal control over cash receipts.

2. Controls Over Certificate Of Deposit Accounts (CDs) Need To Be Strengthened

RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Tax Collector's Office
Occupational Licensing Function

Controls Over CD Accounts Are Needed

Once each year the Accounting Manager in the Tax Collector's Office acquires Certificates of Deposit (CDs) with excess Fees and Commissions Funds, without requiring prior approval from a higher organizational authority. The CDs are generally in \$1 million denominations. In February of 1998, two separate CDs for \$1 million each were acquired. Only one signature (the Accounting Manager's) was needed to open and close the accounts and no approval was obtained by anyone higher in the chain of command. To reduce the risk of misappropriation of funds, two signatures (Accounting Manager and her supervisor) should be required to open and close the account.

We Recommend either the Tax Collector's or the Assistant Tax Collector's signature, in addition to the Accounting Manager's signature, be required in order to open and close CD accounts.

Management's Response:

We Concur. In September of 1998, the procedure section of our Investment Policy was changed to include the following:

- Call Banking and Finance to make sure the chosen bank is approved for public depository.
- Requiring two signatures to purchase a certificate of deposit.
- Requiring two signatures to redeem a certificate of deposit.
- Requiring a letter of authorization from the Tax Collector to redeem a certificate of deposit.

3. The Tax Collector's Cost Of Collecting The Occupational License Fees Has Not Been Calculated Annually

Orange County Code Section 25.54 prescribes that:

"The Tax Collector shall determine the annual cost of collecting occupational licenses taxes,

**RECOMMENDATIONS
FOR IMPROVEMENT**



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Cost Calculations
Are Not
Performed
Annually To
Ensure All
Collection Costs
Recovered

including overhead expenses, and shall deduct this cost from the first monies collected in each license year.”

After deducting these costs, the remaining revenues from license fees are distributed to the various municipalities and unincorporated Orange County, on the basis of population, as prescribed by Florida Statute 205.0536.

The Tax Collector's Office has not performed a recent cost study to determine the actual cost of collecting the occupational license taxes. It is not known exactly when the last study was done, however, it is believed by management of the Tax Collector's Office that it was probably done sometime in 1982. The last study could not be located and, therefore, we could not evaluate the accuracy of the study. The Office has deducted \$210,000 (the amount assumed to be from the last study) each year since at least 1985 (the last year records available) to cover this expense. A cursory analysis of the operations indicates that the current cost is in excess of \$400,000. Salaries and fringe benefits total over \$387,000, floor space occupied by the Occupational Licenses department annual rental cost is valued at approximately \$22,000. Further, other expenses such as computers, office furniture and equipment, forms, supplies, etc., are in addition to these amounts.

Because only \$210,000 was retained by the Tax Collector to cover collection costs, the total amount of overpayments to the various municipalities was at least \$80,000 for the three-year period of Fiscal Years 1996 through 1998.

We Recommend the Tax Collector ensures that the annual cost of collecting the occupational license fees is accurately calculated each year, and deducted from revenues prior to distribution, as required by Florida Statute and Orange County Code. Documentation of the studies performed should be maintained on file. In addition, the Tax Collector should consider deducting incremental amounts from future distributions to the various municipalities to recover overpayments from the past three years.

Management's Response:

We concur with the recommendation. Through the provisions of Florida Statutes 205.053(2), the county exercised the option of reevaluating the occupational license tax structure and found changes were needed. To provide a more equitable fee schedule, an Equity Study Commission was established, made up of lay volunteers from many different fields of business. Personnel from the County Administration Department, Occupational Licenses, Legal Department and the Assistant Tax collector also were part of the study commission to explain or advise members on some of the finer points. At that time we agreed to keep this fee at \$210,000.

However, we agree it is time to conduct a study to determine the actual cost of collecting occupational licenses. At that time we will be in a position to adjust the "up front" cost currently collected, of \$210,000 to cover this expense – accordingly.

4. Additional Revenue Could Be Realized By Making Optimum Use Of Available Data Sources To Identify And Charge Businesses Not In Compliance With Licensing Requirements

During the audit, we selected samples of businesses listed in various sources and compared them to the Occupational Licenses database to determine if the businesses selected had current licenses. As detailed below, the results of our sample, as well as our observation of the field inspections, indicates that there is a segment of the business population (possibly as much as 10 to 15 percent) that are not in compliance with licensing requirements.

For Fiscal Year 1998, revenues from the sale of licenses totaled over \$2.5 million. If 10 to 15 percent of business entities are not in compliance, the county is not collecting potential revenues of \$250,000 to \$375,000 per year.

**RECOMMENDATIONS
FOR IMPROVEMENT**



**Additional
Revenue Could
Be Obtained By
Using Available
Data Sources**

Sample source	Number sampled	Number found without license	Percent
Tax Collector's Tangible Property Tax Roll	22	3	14%
Hotels or motels from the Orange County Comptroller's tourist development tax database	100	5	5%
Various Published Business Directories	34	2	6%
ATM machines located in the City of Orlando that required occupational licenses from both Orlando and Orange County. The City of Orlando had compiled the list from the Internet and the Orlando telephone directory.	103	44	42%
Observation of inspections	51	11	22%
TOTAL	310	65	21%

There are no employees fully dedicated to researching available data of business entities for verification to the Occupational Licenses Department's database of current licenses. The Office has four inspectors, who because of their other responsibilities only spend approximately forty to fifty percent of their time on the enforcement of licensing requirements. Also, when carrying out this responsibility they do not operate in the most effective manner. Rather than making optimum use of all available data sources to identify business entities that require licenses and then checking compliance against the Occupational Licenses Department's database, they rely to a great extent on door-to-door inspections.

The practice of primarily relying on door-to-door inspections of businesses is not the most efficient way of monitoring compliance. The auditors observed inspections made on two occasions by two different inspectors. In both cases the inspectors went to large malls in Orlando and went door-to-door to check licenses. Where the business inspected could not produce a license, the inspector called the Occupational License Department and had a clerk research the database

to determine if a license had been issued and the appropriate fees paid. During the inspections observed by the auditors, the inspectors visited 51 business entities and found that 11 (22 percent) did not have licenses.

We believe that with more intensive research efforts, using all available data sources, more business entities would be brought into compliance. If the number of business entities in the system could be increased by 10 percent, \$250,000 of additional revenue might be obtained each year.

We Recommend the Tax Collector ensures that inspectors make optimum use of all available sources of information, for comparison to the database of current licenses, to determine which ones do not appear to be in compliance with licensing requirements. Also, wherever practical, risk analysis techniques and computerized matching of data from various databases, such as the tangible tax records to the occupational licenses database, should be employed to develop lists of business entities to be inspected.

Management's Response:

We concur with the recommendation. The fourth point of your audit is one that we are working hard to resolve. The Tax Collector's unwritten policy has been to use various publications as a cross-reference to check for valid Occupational Licenses. In the near future, we hope to have a data source compiled from the tangible personal property tax roll as a checkpoint. It is our intent to create a database that will enable our employees to efficiently check the status of licenses in the office, in addition to the door-to-door method currently used.

5. Additional Revenues And Greater Compliance Could Be Realized By Elevating The Public's Awareness Of The Occupational Licensing Requirements

The Tax Collector's Office does not have a sufficient program to increase awareness of the occupational license

RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Tax Collector's Office
Occupational Licensing Function

The Public's Awareness Of License Requirements Should Be Raised

requirements. The auditors noted that there were no pamphlets, or posters, regarding occupational licenses on display at various sites where they would be readily noticed by the public, such as vehicle license tag agencies, or other highly visible locations. We were informed that the Tax Collector's Office does furnish pamphlets to interested parties that inquire about the taxes. In addition, we were told that the Board of Realtors and another group routinely inform their members about the applicability of occupational licenses. However, we believe that the Tax Collector should have an expanded formal program for informing the public of the requirements for occupational licenses.

As noted earlier in this report, we observed field inspectors inspecting 51 business at two large malls in Orlando. Several of the business managers, who were found to be not in compliance, stated that they had been in business for many years in Orange County and had never heard that they needed an occupational license.

We Recommend the Tax Collector develops a more comprehensive program to inform the general public of the licensing requirements. This program could include announcements on the county's television station, an internet web page, brochures and posters placed in conspicuous places such as auto tag agencies, drivers license offices, post offices, public buildings, technical schools, banks, and other public places as deemed appropriate.

Management Response:

We concur. Additional efforts will be made. As we develop the database described above, it is our intent to create a website for the purpose of educating potential business owners on the restrictions and responsibilities of operating a business in Orange County.

6. Changes In The Distinguishing Characteristics Of The Licenses And The Form Used To Invoice Delinquent Accounts Are Needed

RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Tax Collector's Office
Occupational Licensing Function

Changes In The License Format Are Needed

During our review of the licensing process, we noted the following:

- A) The distinguishing characteristics of licenses, such as color, size, or conspicuous markings, are not changed from year to year. Changing one or more of these annually would make it easier to notice current vs. out-dated licenses. This would assist the inspectors in monitoring compliance and could result in more referrals of non-compliance from various sources.
- B) The form used to notify businesses that are delinquent in paying their renewal fees is essentially the same form as the license and could easily be confused with the actual license. The only difference is that the delinquent notice shows an amount due and is not validated with data as is the actual license. By clearly indicating that the renewal notice is an invoice and not a license, taxpayers should not mistake the renewal notice for a license and therefore remit the proper fees.

We Recommend the Tax Collector implements the following:

- A) One or more of the distinguishing characteristics of the licenses be changed annually to facilitate inspection and differentiation by the taxpayers.
- B) The form used to notify delinquent accounts be clearly marked as an invoice.

Management's Response:

Action will be taken to comply with your sixth recommendation. Several years ago we ordered the Occupational Licenses form in bulk to conserve costs. We considered the challenge of verifying the license to ascertain the status. The benefits brought about through your recommendation will easily offset the additional cost of

having a different color license each year as well as an identifiable invoice mailed during the renewal period.

7. Inspectors Are Not Always Charging For Prior Year Non-compliance with Licensing Requirements

Prior Years
Non-Compliance
is Not
Consistently
Charged

While observing inspections of businesses for valid occupational licenses, the auditors noted two occasions where the business representatives admitted they did not have current licenses and did not have them for a number of prior years as well. When asked about prior year charges, the inspector replied that there was a statute of limitations of three years but he was only going to charge them for the current year, which was \$30, plus a late fee of \$7.50. The inspectors do not have written instructions as to the proper action to take in these situations.

If inspectors do not charge for prior year's non-compliance, the county loses funds it is entitled to receive by law. Further, requiring payment for prior years could help deter non-compliance with the licensing requirements.

We Recommend the Tax Collector implements a procedure requiring that all inspectors request payment for current and three previous years, including appropriate penalties, when noncompliance is found for past years.

Management's Response:

We partially concur with your recommendation. Our unwritten non-compliance policy is to collect three years maximum fees along with appropriate penalties. It also includes a provision whereby the three-year fees can be waived providing the business owner can produce sufficient evidence to warrant the forgiveness of the fees. In this case the owner is charged for one year and penalties. More precise instructions will be written into a policy for the Field

Inspectors and Occupational Licenses Clerks to incorporate the above unwritten policy.

8. Additional Revenue Could Be Obtained By Updating Information On Existing Accounts

Additional
Revenue Could
Be Obtained By
Updating
Accounts

Many license fees are dependent on variable factors such as the number of employees, number of rooms, number of tables, etc. The Occupational Licensing Department does not have an adequate system in place to update information on accounts. The renewal form, sent out each year, does not include a request for information regarding changes that would effect the required fees. A form should be sent out at mid-year or with the renewal notice informing all businesses in the system that they are required to submit any changes in their operations that affects fees. The form should include a statement that failure to comply with this requirement could result in penalties. In addition, the form should be industry specific; for example, hotels could be asked for changes in the number of rooms; restaurants, the number of tables, etc.

We Recommend the Tax Collector revises the license renewal process to periodically update licensee information that could include sending out a form requesting changes to the licensee's business operations that impact the amount and how the fee is determined. In addition, the form should be industry specific and note that penalties could apply for not complying with the requested information.

Management's Response:

During the course of daily operations, the Field Inspectors travel the county, visiting many business locations. They can observe first hand if changes have occurred. The renewal notice includes instructions to submit the notice in person if any changes in ownership, location, address, or business type has taken place since the last license was

issued. We do concur with your findings and will make the necessary changes on the renewal notice to businesses that fall into the variable fee class.

9. Simplifying The Licensing Process Could Result In Reduced Costs Of Operations For The County And Provide Better Service To The Public

**The Cost Of
Operations Could
Be Reduced**

As previously noted, the current annual cost of the licensing operation is estimated to be in excess of \$400,000. However, a substantial part of these costs could possibly be avoided, and better service provided to the public, by modifying the processing procedures. Current procedures require the following:

- A) Occupational license applications be notarized. This is also required by the Ordinance.
- B) Occupational license applications are only received at the Occupational License Office.
- C) Applicants for an occupational license are required to get Zoning Department approval prior to being issued an Occupational License (required by Orange County Code 30-47).

Current procedures require individuals to come to the Occupational Licenses Department in the County Administration building in order to apply for a license. If the applicant has not already received approval from the Zoning Department, the applicant is sent to Zoning to obtain approval. After obtaining the required approval from the Zoning Department, the applicant returns and waits while the license is processed and issued.

A more efficient and effective way of handling this operation would be to eliminate the need for notarizing and distribute

and receive applications at auto tag agencies, through the mail, or via the Internet. Applications received could be forwarded to Zoning as part of the application process. Applications could be processed in bulk and licenses mailed to the applicants within a few days.

These steps, combined with cross training of employees possibly could allow the Tax Collector to eventually reduce the size of the staff dedicated to issuing occupational licenses. Also, the revised procedures could eventually reduce or eliminate the need for the office space in the County Administration building now occupied by the Occupational Licenses Department. This space, which consists of 1,157 square feet, has an annual rental value of approximately \$22,000. Further, these steps would be more convenient to the public.

We Recommend the Tax Collector studies the feasibility of modifying current procedures to include the following:

- A) After consulting with the County Attorney, determine the feasibility of eliminating the Ordinance requirement to have the occupational license application notarized.
- B) Accept applications for occupational licenses at Auto Tag Offices and through the mail (or Internet) and forward these applications to Zoning for approval as part of the licensing process. Licenses could then be processed in bulk and returned by mail to the applicants.

Management's Response:

We find your recommendation very interesting. We plan future discussions regarding possible avenues to amend or delete unnecessary language from the Statutes or County Code, making the licensing process much more customer friendly. Adequate information would have to be readily available to interested parties, making applicants responsible to meet requirements of the Zoning, Building, and Health Departments.

Further strides are on going to apply for Occupational Licenses through the Internet. Through this procedure, we would process the application and forward the information to other departments for approval. A non-refundable fee would be charged for this service. (This would also serve to encourage applicants to comply with requirements.) These changes would undoubtedly affect the County Code Enforcement Board.

Your recommendation for a location more convenient to customers will be taken under advisement.

10. Development And Implementation Of Performance Standards Could Assist Management In Evaluating The Occupational Licensing Function

**Performance
Standards Should
Be Developed
And Implemented**

The Tax Collector's Office does not have a system to measure the effectiveness and efficiency of the occupational licensing function. For example, the number of licenses issued each day, the number of telephone calls handled, the average waiting time for applicants, the cost of the operations per license issued, and the volume of business during peak periods compared to slow periods, could all be used to measure, analyze, and report to management on performance. Additionally, we did not find any indication that a program exists to measure the public's satisfaction with the service provided.

Performance standards or "benchmarks" are tools that are used in order to achieve quality through continuous improvement in operations and to assure excellence in service and cost-effectiveness. The key performance indicators that should be measured, whenever practical, are those that measure cost effectiveness and quality of service.

Performance measurements are used by organizations for a number of reasons:

RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Tax Collector's Office
Occupational Licensing Function

- Accountability and performance evaluation - determine how well the organization is being managed.
- Planning/budgeting - assist in planning for future needs.
- Reallocation of resources - determine if resources are being used wisely or should be put to better use.
- Public Perception - determine the public's perception of the level of service.
- Efficiency of operations - discover problem areas where changes can improve efficiency.

We Recommend the Tax Collector undertakes a project to develop meaningful performance standards for the occupational licensing function.

Management's Response:

We are in accord with your recommendation to develop significant performance indicators for the occupational licensing function. It is our intent to provide public feed back as one method of measuring our success. We plan to review our standards of practice to ensure an efficient operation – as economically and convenient to our customers as possible.