

**Follow-Up
Audit of the
Tax Collector's Office
Occupational Licensing
Function**

**Report by the
Office of County Comptroller**

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**Report No. 344
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April 20, 2004

Earl K. Wood, Tax Collector

We have conducted a follow-up of the audit of the Tax Collector's Office, Occupational Licensing Function. Our original audit included the period of October 1, 1996 to June 30, 1998. Testing of the status of the previous Recommendations for Improvement was performed for the period June 1, 2003 through July 31, 2003. Our follow-up audit was conducted in accordance with generally accepted government auditing standards and included such tests as we considered necessary in the circumstances.

The accompanying Follow-Up to Previous Recommendations for Improvement presents a summary of the previous conditions and the previous recommendations. Following the recommendations is a summary of the current status as determined in this review. In addition, we have included your responses to each Recommendation for Improvement that you responded to immediately following each recommendation.

We appreciate the cooperation of the personnel of your office during the course of the audit.

Martha O. Haynie, CPA
County Comptroller

c: Board of County Commissioners

**IMPLEMENTATION STATUS OF
PREVIOUS RECOMMENDATIONS
FOR IMPROVEMENT**

FOLLOW-UP OF THE AUDIT OF THE TAX COLLECTOR'S OFFICE
 OCCUPATIONAL LICENSING FUNCTION
 STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
1.	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.	✓			
2.	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.			✓	
3.	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.		✓		
4.	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 a list of business entities to be inspected.			✓	

FOLLOW-UP OF THE AUDIT OF THE TAX COLLECTOR'S OFFICE
 OCCUPATIONAL LICENSING FUNCTION
 STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
5.	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.	✓			
6.	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.			✓	
7.	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.	✓			
8.	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.			✓	

FOLLOW-UP OF THE AUDIT OF THE TAX COLLECTOR'S OFFICE
 OCCUPATIONAL LICENSING FUNCTION
 STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
9.	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.	✓			
10.	We recommend the Tax Collector undertakes a project to develop meaningful performance standards for the occupational licensing function.		✓		

INTRODUCTION

INTRODUCTION



Scope and Methodology

The audit scope was limited to an examination of the status of the previous recommendations for improvement from the original audit of the Tax Collector's Office, Occupational Licensing Function, issued February 1999. The period reviewed, for the follow-up audit, was June 1, 2003 through July 31, 2003.

The audit methodology included inquiries with personnel, reviews of policy/procedures and tests of data to determine the status of the prior audit recommendations. These included the following:

We reviewed a sample of Daily Cashier Receipt forms to determine if the day's collections had been transferred from the cashier to a supervisor and if the amounts transferred had been verified.

We reviewed bank documentation for the most recent account openings and closures of CD accounts to determine if two appropriate signatures were required to open and close the accounts.

We reviewed the cost studies performed since the prior audit to determine if the cost of collecting the occupational license fees is accurately calculated each year. The Tax Collector's Statement of Commissions and Expenditures was also reviewed to ensure that the annual cost calculated to collect fees is deducted from revenues prior to distribution.

Interviews were conducted with inspectors to determine whether the inspectors use all available sources of information to locate businesses without occupational licenses.

We reviewed the different methods by which the Tax Collector's Office advises the general public of occupational licensing requirements to determine if the Tax Collector's Office had developed a more comprehensive program to inform the general public of the licensing requirements.

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Current and prior year occupational license forms were reviewed to determine if one or more of the distinguishing characteristics had been changed annually.

The form used to notify delinquent accounts was reviewed to determine if it was clearly marked as an invoice.

The current procedures for inspectors were reviewed to determine if inspectors are required to request payment for the current and three previous years, including penalties, when there is non-compliance for past years. In addition, a sample of collections made by inspectors was analyzed to ensure that the full amount due was collected.

We interviewed employees to determine if the license renewal process had been revised to periodically update licensee information that could impact the amount and how the fee is determined.

Interviews were conducted with employees and documentation was reviewed to determine if the Tax Collector's Office studied the feasibility of modifying procedures to:

- (After consulting the County Attorney) eliminate the Ordinance requirement to have the occupational license application notarized; and,
- Accept applications for occupational licenses at Auto Tag Offices, through the mail or online.

Employees were interviewed to determine if the Tax Collector's Office undertook a project to develop meaningful performance standards for the occupational licensing function.

**FOLLOW-UP TO PREVIOUS
RECOMMENDATIONS FOR
IMPROVEMENT**



1. Internal Control Over Cash Receipts Should Be Improved

During the prior audit, we noted there was 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, were placed in the safe by the licensing specialists, without verification of the amounts.

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.

Status:

Implemented. All twenty-three Daily Cashier Receipt forms reviewed had appropriate signatures to indicate that the transfer had taken place and that the amounts transferred had been verified. For one of the days selected, neither a manager nor assistant manager was available. On this occasion, a senior cashier signed for the manager on the other cashier's forms. Another cashier signed for the manager on the senior cashier's form. This was found to be an adequate procedure when the manager and assistant manager are not available.

2. Controls Over Certificate of Deposit Accounts (CDs) Need to Be Strengthened

As noted in the previous review, two separate CDs for \$1 million each were acquired in February 1998. 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.

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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.

Status:

Not Implemented. Bank documentation for two CD purchases totaling \$9 million made in January 2003 and a CD account closure from September 2002 for \$6 million were reviewed. We found that, although two appropriate signatures had been obtained, the bank documents specified that only one of the authorized signors for the Tax Collector's CD accounts was needed to open or close the CD accounts.

We Again Recommend the Tax Collector's or Tax Collector's authorized designee's signature, in addition to the Accounting Manager's signature be required, by both the Tax Collector's Office and the financial institution, in order to open and close CD accounts.

Management's Response:

We partially concur with the findings. Again, in September of 1998, the procedure section of our Investment Policy was changed to include the requirement of two signatures for purchasing and redeeming a certificate of deposit. In the two CD's that were reviewed by the auditor, two signatures were obtained by the Tax Collector's office for both the purchase and redemption. We have since changed the documentation to the financial institution to say that "we require the bank to require us to have two signatures."

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

As noted in the prior audit, the Tax Collector's Office had not performed annual cost studies to determine the actual cost of collecting the yearly occupational license taxes. Orange

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County Code 25.54 requires that the Tax Collector "...determine the annual cost of collecting occupational licenses taxes, including overhead expenses, and shall deduct this cost from the first monies collected in each license year." Florida Statute 205.0536 prescribes that, after deducting these costs, the remaining revenues be distributed to the various municipalities and unincorporated Orange County on the basis of population. The Office had deducted \$210,000 each year since at least 1985 to cover this expense.

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.

Status:

Partially Implemented. We requested documentation for the annual cost studies performed since the prior audit. We were provided with a cost study that was completed for fiscal year 1999-2000 and were advised that no other cost studies were performed since the prior audit was issued. In addition, the Tax Collector's Office was unable to locate any support documentation for the one study performed.

The cost study performed for fiscal year 1999-2000 determined that the annual cost of collecting fees was \$465,000, an increase of \$255,000 from the amount previously reported by the Tax Collector's Office (\$210,000). The Tax Collector's Office has retained \$465,000 each year since fiscal year 1999-2000 for the annual cost of collecting occupational license fees. As the cost study has not been conducted yearly, it is possible that overpayments have again been made to the various municipalities.

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We were informed that attempts were not made to recover some of the prior years costs, which were likely not charged to municipalities.

We Again Recommend the Tax Collector:

- A) Comply with Orange County Code and Florida Statute requirements and ensure that the annual cost of collecting the occupational license fees is accurately calculated each year and deducted from revenues prior to distribution;
- B) Retain documentation of the studies performed and maintain it on file; and,
- C) Consider calculating the amount of any overpayments made in the most recent three-year period and then deduct incremental amounts from future distributions to the various municipalities to recover overpayments.

Management's Response:

We concur. We have since performed a cost study for FY 02/03. We will continue to operate and document the cost study annually and make the necessary changes.

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 our prior audit, we noted that inspectors predominantly relied on door-to-door inspections when possibly more efficient and effective research efforts, using all available data sources, could have been used. The prior audit found the number of business entities in the system could possibly be increased by 10 percent, and an additional \$250,000 of revenue could have been collected each year.

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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 a list of business entities to be inspected.

Status:

Not Implemented. Interviews were conducted with the field inspectors to determine the sources of information and the methods used to locate businesses that are not compliant with licensing requirements. We found that the inspectors have not incorporated any new sources of information since the prior audit. In addition, they do not utilize computerized matching of data from various databases or use risk analysis techniques.

We Again Recommend all available sources of information be obtained and made full use of for comparison to the database of current licenses in order to locate those which do not appear to be in compliance with licensing requirements. Also, computerized matching of data from various databases and risk analysis techniques should be employed to locate and develop lists of businesses to be inspected.

Management's Response:

We concur. We are still working with the Property Appraisers office to compile a data source that will assist us in this process. This data source will be used as a checkpoint. This database will also enable our employees to locate and develop lists of businesses to be inspected.



5. Additional Revenues and Greater Compliance Could Be Realized by Elevating the Public's Awareness of the Occupational Licensing Requirements

During our prior audit, the Tax Collector's Office did not have a sufficient program to increase awareness of the occupational license requirements. The prior review 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 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.

Status:

Implemented. The Tax Collector's Office has developed a more comprehensive program than previously existed to inform the general public of the occupational licensing requirement. Brochures are placed in the Occupational License Office and are also available in the Zoning area. In addition, the Tax Collector's Office has a web page with information concerning the licensing requirements on it.

6. Changes in the Distinguishing Characteristics of the Licenses and the Form Used to Invoice Delinquent Accounts Are Needed

During our prior audit, we had the following concerns regarding the issuance of the occupational license each year:

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- 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.
 - 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.

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.

Status:

- A) Implemented. We reviewed prior and current year licenses to determine if one or more of the distinguishing characteristics had been changed annually. Up until the current license year (2003-2004) the licenses characteristics did not change. However, beginning this license year, the color changed and will continue to change annually.
- B) Not Implemented. We found that the form used at the time of the prior audit is currently still in use. The form used is essentially the license, except it is lacking the validation stamp showing payment and also shows an amount due. As such, it is not clearly marked as an invoice.



We Again Recommend the Tax Collector ensure the form used to notify delinquent accounts is clearly marked as an invoice.

Management's Response:

We concur. At the time of this audit, we are in the process of changing the form to include the word "invoice".

7. Inspectors Are Not Always Charging for Prior Year Noncompliance With Licensing Requirements

During the previous audit, the auditors observed inspections of businesses for valid occupational licenses and 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. The inspector only charged the current year's fee, and did not seek payment for prior years. In addition, the inspectors did not have written instructions as to the proper action to take in these situations.

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.

Status:

Implemented. The inspector's procedures were reviewed and we found that inspectors are required to collect the current year and the prior two years (which is an adequate collection period). In addition, a sample of collections made by the inspectors was reviewed and we found that the inspectors collected the full amount due, including penalties.



8. Additional Revenue Could Be Obtained by Updating Information on Existing Accounts

During the prior audit, we found the Occupational Licensing Department did not have an adequate system in place to update license information. Many license fees are dependent on variable factors such as the number of employees, number of rooms, number of tables, etc. The renewal form, sent out each year, did not include a request for information regarding changes that would affect the required fees.

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.

Status:

Not Implemented. The renewal process has not changed to include updating licensee's business operations information. A renewal form is still sent out each year; however, this has not been revised to request updates to licensee's operations impacting the fee assessed. No other form or other type of communication is extended to licensees requesting changes to their operations.

The Tax Collector's Office stated they had some difficulty implementing this recommendation, as they need to see Florida licenses for some businesses, which contribute to the amount of the fee assessed. However, Florida Statutes do not require this documentation to be presented in order to assess additional charges for renewing businesses. Further, these licenses may be photocopied by the licensee and mailed to the Tax Collector.

We Again Recommend The Tax Collector revise the renewal process to include a process to periodically update



licensee information impacting the amount of the license fee charged.

Management's Response:

We concur. A form is currently being created to be used in the renewal process. We will begin using this form during the next licensing period (August 2004).

9. Simplifying the Licensing Process Could Result in Reduced Costs of Operations for the County and Provide Better Service to the Public

During the prior audit we noted that costs could be reduced and better service provided to the public by modifying the Occupational License processing procedures. The procedures required 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).

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

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part of the licensing process. Licenses could then be processed in bulk and returned by mail to the applicants.

Status:

- A) Implemented. The Tax Collector's Office consulted the County Attorney's Office regarding the notary requirement. They provided us with a letter from the County Attorney's Office evidencing such. The County Attorney's Office concluded that the notarization process could be removed, however, it currently remains in place.

We Recommend the Tax Collector's Office remove the requirement that each application be notarized and instead add an oath statement to the application.

- B) Implemented. During interviews with personnel at the Tax Collector's Office, they informed us that they did study the feasibility of modifying their procedures so that applications could be accepted at Auto Tag Offices through the mail or online. In addition, they notified us that they had worked with Zoning to link their online systems in order to facilitate processing of each other's data. We were informed that at the time they considered these changes they were unable to implement them due to some technical issues between the Tax Collector's systems and the Orange County Data Center's operating system.

We Recommend the Tax Collector continue to study the feasibility of accepting applications for occupational licenses at Auto Tag Offices, online, and through the mail.



Management's Response:

- A) We concur. We will pursue this with the County Administration and legal staff.
- B) We concur. We will continue to study the feasibility of taking applications in our tag offices, online, and through the mail.

10. Development and Implementation of Performance Standards Could Assist Management in Evaluating the Occupational Licensing Function

During our prior audit, we found the Tax Collector's Office did 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.

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

Status:

Partially Implemented. We interviewed employees concerning performance standards and reviewed documentation for the standards tracked. We found that some performance standards are tracked for the inspectors. However, no performance standards exist in any other part of the occupational licensing function. Therefore, the performances of the other areas that make up the entire function are not tracked and the performance of the function as a whole is not measured.

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The performance standards information that is tracked is limited. The number of fee collections (broken down by number of collections for new accounts, number of collections for established accounts, and the number of collections arising from reported complaints) made by inspectors is the only information tracked. The information tracked does not address issues such as customer satisfaction, cost effectiveness, allocation of resources, or other key performance standard information.

We Again Recommend the Tax Collector's Office creates and measures meaningful performance standards for the composite areas in the occupational licensing function and the function as a whole.

Management's Response:

We concur. We will continue to develop significant performance indicators.