

MEMORANDUM OF TRANSMITTAL



To: Chris McCullion, Chief Financial Officer
Brooke M. Rimmer-Bonnett, Economic Development Director

From: George J. McGowan, CPA
Director, Office of Audit Services and Management Support

Date: November 17, 2020

Subject: Unlicensed Business Tax Receipts Audit (Report No. 21-01R)

A handwritten signature in blue ink, appearing to be 'GJ McGowan', written over the 'From:' field.

We have completed our audit of unlicensed business tax receipts from October 1, 2019 through September 30, 2020. Our examination was conducted in accordance with the authority contained in the City of Orlando Code, Chapter 36. The objective of this audit was to determine that the local business taxes for commercial and home based business and ATM's operating within the City of Orlando were paid in accordance with City ordinances, state statutes and other governing regulations. Our audit covered the period from October 1, 2019 through September 30, 2020 and includes the recurring recoveries received through internal audit efforts from October 2017 to September 2020.

This performance audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. Those 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.

As part of the unlicensed business identification process, Audit Services and Management Support (ASMS) obtains a list of business entities registered with the Florida's Division of Corporations. We also obtain a list of registered ATM owners from the Discover, Visa and MasterCard websites. This list of addresses is filtered to include only those within the City of Orlando jurisdiction, and the information is compared to our business tax receipt database in an effort to identify businesses that have not registered and obtained a local business tax receipt within the City of Orlando. The potentially unlicensed businesses are contacted via mail to encourage compliance with the City Code for licensing, and responses from clients are tracked. These businesses are monitored on a regular basis and payment received as a result of ASMS efforts are captured and retained in our records.

The revenues received for these businesses are recognized in the year of discovery and the subsequent three years in accordance to industry standards and best practices.

AUDIT FINDINGS

Unlicensed Businesses

In the 2020 fiscal year, ASMS obtained \$12,972 from unlicensed businesses in the City of Orlando which were discovered using the processes described above. The business taxes received from businesses similarly discovered during the prior three years totaled \$77,845, for a total amount of local business taxes paid as a result of audit activities of \$90,817 for the fiscal year.

Unlicensed ATMs

In the 2020 fiscal year, ASMS obtained \$3,650 from unlicensed ATMs in the City of Orlando which were discovered using the processes described above. We ceased this activity after the City Council updated the fees for ATMs, at the request of the Economic Development Director. The business taxes received from unlicensed ATMs discovered during the prior three years totaled \$14,308, for a total amount of local business taxes paid as a result of audit activities of \$17,958 for the fiscal year.

The total revenue received as a result of identifying and contacting unlicensed businesses for the period of October 1, 2017 through September 30, 2020 is **\$108,775**.

RECOMMENDATION

We recommend that ASMS continue to identify unlicensed businesses on an annual basis, we believe the efforts of the office are more than offset by the revenues realized.

GJM/SJ

c: Jody Litchford, Deputy City Attorney
Michelle McCrimmon, Deputy Chief Financial Officer