

Executive Summary Report - Business License Processing



OCTOBER 30, 2023

Columbus Consolidated Government



Executive Summary

I. Introduction

Council has requested executive management to provide a summary report to advise what is happening in the Finance Department/Occupational Taxes and Business License Department to include: the status, the management failures, and the systematic problems that have occurred and are reoccurring. The practices and authorizations of citations and/or the delinquency notices that have been directed at the businesses. Who issued and authorized those notices? Why the businesses that were delinquent were not contacted, and why there were delays in those collections.

II. Overview

Business license processing is a function of the Revenue Division of the Finance Department. The division had reported to management they were delayed in processing business license renewals beginning during the pandemic. The division did not report to management the extent of the delay or the negligence of not following established enforcement protocol for businesses who did not renew. This was discovered by management after a referral from Council at the request of Deputy City Manager Pam Hodge to the Finance Director and Revenue Division Manager for reports and information. Since that time, immediate action has been taken to address the known issues. An overview of licensing processes, issues, timelines, and actions taken corresponding to delays with processing licenses are outlined in this report.

III. Processes

All businesses operating in Muscogee County are required to have a business license and renew annually by April 1st. Businesses can renew in 1 of 3 ways: In person at 3111 Citizens Way, by mail to the office or by mail to the lockbox. There are standard documents that are required for all businesses while some specific trades require additional documentation for licensure. These documents are required by either local, state, or federal law. Standard documents include an Occupation Tax return, E-Verify

affidavit, S.A.V.E. affidavit, and Request/Renewal Application. If any of the forms are not included, the request/renewal submission is deemed to be incomplete and is unable to be processed.

In-person renewals are handled as a priority. When a customer is not in-person, generally, mailed license renewals are processed in the order in which they are received. If a license renewal cannot be processed, a “problem letter” is sent to the business outlining the missing or corrected documents required.

Around August/September, a courtesy delinquent notice is sent to all businesses who have not renewed their license. This includes those businesses that did not respond to a “problem letter”. If a business does not come into compliance, a delinquent list is generated for Code Enforcement. Code Enforcement should visit each business location and either issue a warning to comply or a citation for operating without a business license OR determine the business is no longer in operation. Code Enforcement does not have any jurisdiction outside of Muscogee County and are unable to issue any warnings/citations for non-compliance outside of the county. Out of county businesses would only receive the courtesy delinquent notice. Preparation for the next business license renewal cycle begins in January with license renewal packets being mailed out around January/February. While January/February is the typical window for mailing renewal packets, it should be noted that 2023 license renewal packets were mailed on March 8, 2023, not only because of the issues listed in this report but there was also some uncertainty if a mandatory address change for the business license lockbox would be imposed by the bank at that time.

IV. Issues

To date, staff has reported that the issues surrounding the delay in processing business licenses are due to the extension of the renewal deadline for 4 years (2020, 2021, and 2022 from April 1st to June 1st and 2023 from April 1st to May 1st), staffing shortages and turnover, increased processing time from a software system upgrade as well as failure to timely issue courtesy delinquent notices to businesses who did not renew their business

license by the deadline and turn over delinquent accounts to Inspections & Codes Department, Code Enforcement Division for enforcement.

1) Extension of Renewal Deadlines

Extensions in the renewal due date for the past 4 years (2020, 2021, 2022 & 2023) have negatively impacted business license processing. Historically, businesses tend to wait until or close to the deadline, which is normally April 1st, to submit their license renewals. Processing thousands of licenses may typically take 4-5 months to complete. Thus extending the deadline creates a shorter window for staff to finish current renewals before preparation for the next renewal cycle begins. It should also be noted that alcohol license renewals operate on a different renewal schedule than business license renewals. Preparation for alcohol license renewals begins in the August - September timeframe. Staff must secure appropriate documentation to initiate the coordination of the alcohol license renewal process among several departments before a license can be issued. Due to time constraints and the level of effort associated with processing alcohol renewals, staff that may have been previously assisting with processing business license renewals must now shift focus to processing alcohol license renewals.

2) Staffing Shortages/Turnover

Finance, like most departments, has always been tasked with providing more services with fewer resources. In addition to license processing, other responsibilities of the Revenue Division in the Finance Department include the following:

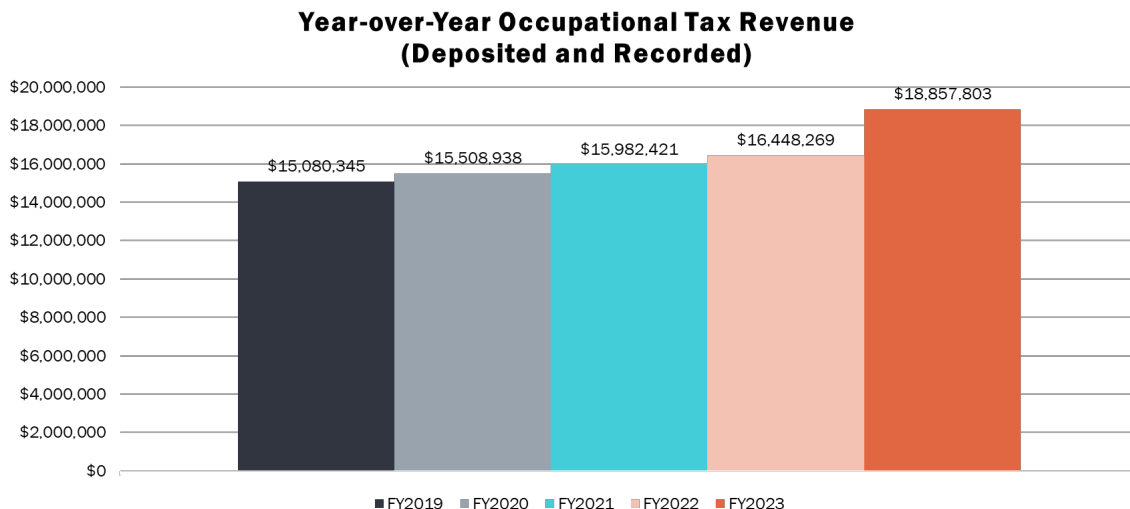
Occupational Tax Section - Insurance, Business, and Alcohol License Processing, Hotel/Motel and STVR Tax Collections, Vehicle Excise Tax Collections, Mixed Drink Tax, Wine Tax, and Beer Tax Collections, Franchise Fees, Special Event Alcohol Permits

Billing and Collection Section - Ambulance Billing and Collections, Lease Revenue, Landfill Billing and Collections, Demolition and Lot Clearing Liens & Collections, Hazardous Materials Permits

There are 6 approved/budgeted positions in the Occupational Tax Section (excluding the Revenue Division Manager). From January 2020 to October 2023, the vacancy rate by position is as follows:

- Licensing & Tax Supervisor – 30%
- Revenue Auditor – 28%
- Revenue Auditor – 26%
- Licensing & Tax Clerk – 48%
- Licensing & Tax Clerk – 0%
- Licensing & Tax Clerk – 0%

As shown above, multiple positions were vacant between 26% to 48% of the referenced time frame. With that, inconsistent staffing levels and inexperienced staff has reduced efficiency in all facets of the license renewal process. In addition to retention issues, COVID-19 exposure/quarantine guidelines have had some impact to the normal annual processes as well. Staffing shortages also created some challenges with performing simple routine tasks such as answering/returning calls, filing, and processing mail. The bulk of license renewals are received via mail so processing the mail timely is critical because checks may be enclosed. Because of retention issues, staff were unable to timely process all checks received in the office which caused some checks to become stale dated. However, many of the stale dated checks were replaced and processed. It should be noted that no fraud or theft has been discovered regarding these checks. In addition, year after year, occupation tax revenue deposits have increased from \$15 million in FY2019 to over \$18 million in FY2023.



However, non-compliance with the city's cash handling policies regarding timely deposits has been addressed and reinforced. Temporary staffing has also been authorized in the Revenue Division to help perform the above referenced routine tasks to meet policy requirements and to allow more experienced staff to focus on processing renewals.

3) Software Issues

To gain efficiency with online license and tax remittance processing, the need to undergo a software system upgrade was necessary. The new business licensing software was implemented in April 2021. Although the migration to the new cloud-based system was successful, it has not been without its share of challenges. Productivity has decreased post-migration due to system performance issues such as extensive buffering and requiring more steps to complete processing of a license. It now takes approximately 20 - 25 minutes to process a standard license renewal whereas with the old system, it could be completed in roughly half the time. Information Technology and Finance staff are engaged in discussions with the software vendor to address system performance issues and determine next steps to realize expected automation efficiencies.

4) Courtesy Non-Compliance Notices

As part of annual processes, the Revenue Division of the Finance Department typically sends a courtesy delinquent notice to businesses who have failed to submit license renewals for the current year. It was discovered by management in August 2023 that Revenue Division staff failed to timely issue courtesy delinquent notices and subsequently turn over delinquent accounts to Inspections & Codes Department, Code Enforcement Division for enforcement. Since discovery, courtesy delinquent notices for license years 2020, 2021, 2022, and 2023 were mailed in August 2023. Unfortunately due to miscommunication, some businesses inadvertently received delinquent notices. These businesses were those who were pending processing and/or were processed between the time the notices were generated and mailed. The delinquent business license list was turned over to Code Enforcement on September 13, 2023. The enforcement of delinquent business licenses is currently the responsibility of the Inspection & Codes Department. The Special Enforcement Division of the Public Works

Department was moved to the Inspections & Codes Department in September 2017. Prior to this move, the business license enforcement was handled by the Special Enforcement Division in the Public Works Department with 6 Special Enforcement Officers. After consolidation, the former Inspections & Codes Director assigned delinquent business license enforcement to 1 Sign Inspector. In July 2020, the current director of the Inspections & Codes Department was appointed who acknowledges that he did not receive a full delinquent business license report for enforcement until September 13, 2023. The current director has assigned all 9 Code Enforcement Officers to handle the delinquent business license enforcement in their assigned area of Muscogee County. With enforcement, past due occupation tax revenue will be collected with penalty and interest. While enforcement of the validating licensure lies with the city, it is also the responsibility of the business to comply. Businesses are required to close out their business license account if they are no longer in business or notify the city when they have changed locations. Often, businesses do not close out their business license account if they go out of business, move the business outside of Muscogee County, the owner passes away, or the business is sold. Thus causing the city to receive hundreds of pieces of returned mail annually and forcing the city to spend unnecessary resources to validate if the business is still operational in its specified location.

V. Timeline of Events

- 7/25/2023 – Councilor Thomas requested a report on Business Licenses.
- 7/27/2023 – DCM Hodge sent an email request to Finance Director Angelica Alexander and Revenue Manager Yvonne Ivey requesting an update on the status of business licenses for 2022 and 2023. How many were renewed for each year? How many businesses with licenses in 2020 and 2021 have not renewed? How many licenses are pending for 2022 and 2023? We are getting a lot of questions about the status/delay for issuing of business licenses which was mentioned during the City Council meeting this past Tuesday. We need to be prepared to document the status. The City Manager will be requesting a meeting soon.

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- 8/7/2023 – Initial delinquent lists for 2020, 2021, 2022 and 2023 provided.
 - City Manager Updates – 8/7/2023, 8/10/2023, 8/14/2023, 8/22/2023, 9/5/2023, 9/11/20123, 9/19/2023, 9/25/2023, 10/4/2023, 10/11/2023, 10/17/2023, 10/24/2023, 10/30/2023. These updates provide status of the processed and delinquent accounts.
 - 8/22/2023 – Response to referral provided.
 - *We are working on completing 2023 renewals as it typically takes about 4-5 months to complete license renewals after the annual renewal date of 4/1. This year the renewal date was extended to 5/1 which pushes back the processing period because many businesses wait until the deadline and renew by mail. We have approximately 700+ renewals pending based on what has been received. Thus far, we have processed 4,677 renewals YTD.*
 - 8/22/2023 – City Manager was denied the opportunity to provide an update to Council on Business License Issues. On 8/14/23, the City Manager provided a written Interim Report from the Finance Director to the Mayor. The City Manager wanted to brief members of the Council at the next Council meeting. The Mayor advised the City Manager that one member of Council indicated he did not want to hear from the City Manager because there is an investigation going on. That Council member indicated he had six votes to not hear from the City Manager. The City Manager did not go forward with the update based on this information.

VI. Action Items

In Summary, staff are continuing to work through the license renewal and delinquent license processes. Temporary staffing has been authorized by the City Manager to assist with the backlog of license processing. Per the established protocol, courtesy delinquent notices for 2020, 2021, 2022 and 2023 were mailed. The delinquent business license list was turned over to Code Enforcement on September 13, 2023, and they are actively visiting each business location in Muscogee County to confirm if a

business is still in operation and if so, issuing a warning and/or citation for operating without a business license in Muscogee County. Finance will continue to work overtime to complete pending license renewals. Code Enforcement has been authorized to work overtime to work through the delinquent list as well.

Active processed licenses to date are as follows:

2020 = 7,892

2021 = 7,933

2022 = 7,387

2023 = 6,791

The delinquent business license report received on September 13, 2023, included delinquent business licenses for the following license years 2020, 2021, 2022, 2023:

2020 = 874

2021 = 836

2022 = 1,084

2023 = 763

Total = 3,557

A summary of the action taken on the report to date is below:

- Out of county delinquent licenses = 459
- Pending processing in Revenue Division = 448
- Closed or Renewed Business received from the Revenue Division (removed from the list) = 113
- Code Enforcement Officer verified Out of Business = 224
- Code Enforcement Officer issued Warning and/or Citation = 117
- Balance of Delinquent Business Licenses = 2,196

Actions Items Completed:

- 1) Delinquent notices were mailed for license years 2020, 2021, 2022, and 2023 in August 2023.
- 2) Delinquent business list was turned over to Code Enforcement on September 13, 2023.

Actions Items in Process:

- 3) Completion of the license processing for those businesses that submitted their renewal application.
- 4) Follow up with business that submitted an incomplete renewal application thus receiving a “problem letter”.
- 5) Continue enforcement for businesses that have not renewed and are illegally operating without a business license.
- 6) Establish/update operational procedures and reporting requirements for all processes, if needed.
- 7) Continue to research to determine any revenue impact.

Other Actions To Be Determined (TBD)

- 8) Restructuring of the Revenue Division of the Finance Department will be considered, if appropriate.
- 9) Continue discussions with current software vendor regarding upgrade for permitting and licensing system.
- 10) Review Revenue Division failure to follow established protocols.