

TO: James L. App, City Manager  
FROM: Mike Compton, Director of Administrative Services  
SUBJECT: Business License Audits and Enforcement  
DATE: October 7, 2003

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Needs: For the City Council to consider auditing and enforcing business license provisions of the Municipal Code.

Facts:

1. The City received an unsolicited proposal (copy attached) from Municipal Auditing Services to undertake an audit of the existing business licensees, as well as search for non-licensed businesses operating in the City.
2. An audit has never been performed in the past.

Analysis

and

Conclusion:

As noted above, the City has received a proposal from Municipal Auditing Services (MAS) to undertake an audit of existing licensed businesses that are licensed under the City's gross receipt provisions of the Municipal Code. The purpose of the audit is to confirm the accuracy of gross receipt reporting, search for unlicensed businesses, and enforce the business license provisions of the Municipal Code.

Under the terms proposed by MAS, their compensation is limited to 50% of all new revenues generated from their effort. There is no base or set minimum fee. If no new revenues are generated, no fee is paid.

The audit of existing licensed businesses that pay license fees may be controversial since MAS will need to see state and federal tax returns to confirm accuracy of gross receipts reporting. All information and data is strictly confidential. Prior to 1998, gross receipts based businesses were required to submit income tax returns or other acceptable means of documenting their gross receipts.

Fiscal

Impact:

Unknown.

Options:

- a. Direct staff to negotiate and present a business license auditing contract for approval .
- b. Amend, modify, or reject the above option.