



EXECUTIVE SUMMARY

October 25, 2004

Report No. 601

Honorable Members of the City Council
City of Jacksonville

INTRODUCTION

At the request of Mike Hogan, Duval County Tax Collector, we examined the activities of the Tax Collector's Office that involve the duties of the field inspectors and present this report thereon.

The Tax Collector is a constitutional officer of Duval County and is responsible for the collection of revenue for the consolidated City of Jacksonville/Duval County. The Tax Collector's 2003/04 budgeted revenues and expenditures were \$6,172,030 and \$11,458,551 respectively. The total budgeted employees were 225. The revenue consists of Tax Collector fees for the collection of revenues on behalf of the City and other governmental entities. The Tax Collector collected over \$1.8 billion of revenue in fiscal year 2003/2004 of which \$586 million was ad valorem taxes and \$91 million was personal property taxes.

STATEMENT OF OBJECTIVES

The objectives of the audit were as follows:

1. To determine that the field inspectors within the Taxes and Business License Department are performing their job duties in the most effective and efficient manner and that the collection process of delinquent occupational licenses and tangible personal property (TPP) taxes is cost beneficial to the City of Jacksonville.
2. To determine all businesses in Duval County have an occupational license and that all licenses that were re-classified as inactive were appropriate.
3. To determine that delinquent tangible personal property (TPP) taxes are properly collected and recorded on the Tax Collector's system as required by F.S. Chapter 197.413 and that TPP taxes were re-classified from active to inactive appropriately.
4. To determine that the mobile home field inspectors are performing their job duties in the most effective and efficient manner and that the mobile home inspection process is cost beneficial to the City of Jacksonville.

AUDIT CONCLUSIONS

1. We determined that the field inspectors could be more effective and efficient in performing their job duties while in the field and that the Tax Collector may find it more productive to reallocate some of the inspectors to other areas of the Tax Collector's Office.
2. We found that the many businesses who have recently acquired electric service from JEA do not have an

occupational license and that the Tax Collector should request a report from JEA of businesses with new electric service to enable the Tax Collector to locate these businesses. We also found that the inspectors have inappropriate access to perform several functions within the occupational license system. One example is that an inspector can change an active business to an inactive business, and as a result, there were seven (5.3%) of 131 inactive occupational licenses tested that were incorrectly changed from an active to an inactive business.

3. The field inspectors in Taxes and Business Licenses have inappropriate access to change information in the TPP system and the approval process for changing a TPP taxpayer from an active business to an inactive business could be improved. We found that five (4.1%) of 122 TPP taxes sampled were incorrectly changed from an active business to an inactive business.
4. We determined that the mobile home field inspectors could be more effective and efficient in performing their duties while in the field and that the Tax Collector should re-evaluate the cost benefit to the City of Jacksonville of the inspectors inspecting mobile homes for current mobile home decals.

SIGNIFICANT FINDINGS

- Field inspectors in the Taxes and Business License Department do not have written guidelines or procedures and were inconsistent in how they performed their duties.
- Tax Collector does not have inquiry access to the Building & Zoning computer database that would assist them in their job performance with both occupational licenses and mobile home decal sells.
- Based on an analysis of the cost of inspectors for occupational licenses, Tangible Personal Property Taxes and mobile home inspectors, lack of policies and procedures, lack of time inspectors spend in the field, and the under utilization of available resources, the number of field inspectors can be reduced.
- Field inspectors have the ability to change the status of occupational licenses and delinquent Tangible Personal Property (TPP) taxes due from active to inactive. Seven (7) of 131 (5.3%) inactive occupational licenses sampled and five (5) of 122 (4.1%) TPP taxes sampled had been changed inappropriately.
- Field inspectors have the ability to change the property appraiser control number, thus allowing them to accept a payment for an occupational license when the business has a delinquent Tangible Personal Property (TPP) tax due. Florida Statutes section 770.125 states that the Tax Collector must refuse to issue an occupational license to a business with delinquent TPP taxes due.
- The Tax Collector has not taken advantage of resources that would help them identify new businesses that may not have an occupational license. Although JEA requires proof of registration with the Division of Corporations or the registration of a fictitious name before providing electrical service to a business, they can provide permanent electrical service to businesses without an occupational license. We found that 43 (35%) of 123 businesses from JEA's database of new businesses did not have an occupational license.
- Field inspectors have the ability to change the amount of a TPP tax due which would allow them to accept a payment for TPP taxes for an amount other than what is on the TPP tax roll.
- Mobile Home Inspectors do not have written guidelines or policies that dictate procedures for inspecting mobile homes or finding mobile homes without the required mobile home decal.
- Mobile home inspectors have not taken advantage of a report available from the Florida Department of Motor Vehicles that identifies unregistered mobile homes.

RECOMMENDATIONS

The Tax Collector concurs with our findings and has agreed to implement all recommendations as detailed in the report.



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1. To determine that the field inspectors within the Taxes and Business License Department are performing their job duties in the most effective and efficient manner and that the collection process of delinquent occupational licenses and tangible personal property (TPP) taxes is cost beneficial to the City of Jacksonville.
2. To determine all businesses in Duval County have an occupational license and that all licenses that were re-classified as inactive were appropriate.
3. To determine that delinquent tangible personal property (TPP) taxes are properly collected and recorded on the Tax Collector's system as required by F.S. Chapter 197.413 and that TPP taxes were re-classified from active to inactive appropriately.
4. To determine that the mobile home field inspectors are performing their job duties in the most effective and efficient manner and that the mobile home inspection process is cost beneficial to the City of Jacksonville.

STATEMENT OF SCOPE AND METHODOLOGY

We examined the duties and performance of the field inspectors for occupational licenses and mobile homes by performing ride-a-longs with each inspector and analyzing their daily mileage logs from January through April 2004. We also analyzed the cost benefit of the collection process for occupational licenses and mobile homes (Objectives 1 and 4). Businesses that acquired new service from JEA from October 1, 2003 through May 31, 2004 were tested to determine if they had an occupational license. Delinquent occupational licenses that were inactive as of April 29, 2004 were tested to determine if they were re-classified from active to inactive appropriately (Objective 2). Delinquent TPP taxes that had been paid for the 2001 and the 2002 tax roll were tested and delinquent TPP taxes were tested to determine that they were re-classified from active to inactive

appropriately (Objective 3).

STATEMENT OF AUDITING STANDARDS

We conducted our audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity, or function under audit. This audit also included an assessment of applicable management controls and compliance with requirements of laws and regulations when necessary to satisfy audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

AUDIT CONCLUSIONS

1. We determined that the field inspectors could be more effective and efficient in performing their job duties while in the field and that the Tax Collector may find it more productive to reallocate some of the inspectors to other areas of the Tax Collector's Office.
2. We found that the many businesses who have recently acquired electric service from JEA do not have an occupational license and that the Tax Collector should request a report from JEA of businesses with new electric service to enable the Tax Collector to locate these businesses. We also found that the inspectors have inappropriate access to perform several functions within the occupational license system. One example is that an inspector can change an active business to an inactive business, and as a result, there were seven (5.3%) of 131 inactive occupational licenses tested that were incorrectly changed from an active to an inactive business.
3. The field inspectors in Taxes and Business Licenses have inappropriate access to change information in the TPP system and the approval process for changing a TPP taxpayer from an active business to an inactive business could be improved. We found that five (4.1%) of 122 TPP taxes sampled were incorrectly changed from an active business to an inactive business.
4. We determined that the mobile home field inspectors could be more effective and efficient in performing their duties while in the field and that the Tax Collector should re-evaluate the cost benefit to the City of Jacksonville of the inspectors inspecting mobile homes for current mobile home decals.

Auditee's Responses: The responses of the Tax Collector to our recommendations have been inserted into the body of this report. Also, attached to the back of the report is the cover letter to the Tax Collector's responses.

AUDIT OBJECTIVE #1 – To determine that the field inspectors within the Taxes and Business License Department are performing their job duties in the most effective and efficient manner and that the collection process of delinquent occupational licenses and TPP taxes is cost beneficial to the City of Jacksonville.

1. In order to determine the effectiveness and efficiency of the field inspectors, we performed a ride-a-long with each inspector and analyzed their daily mileage logs for a four-month period.
2. In order to determine that the collection process of delinquent occupational licenses and TPP taxes are cost beneficial to the City of Jacksonville, we analyzed the cost of the nine inspectors as compared to revenue received. We also considered other factors that affect the delinquent occupational licenses and the delinquent TPP taxes due.

Background

The Taxes and Business License Department within the Tax Collector's Office has nine field inspectors who are responsible for collecting delinquent occupational licenses and delinquent TPP tax. The areas of responsibility

include the City of Jacksonville, Jacksonville Beach, Atlantic Beach, Neptune Beach and the Town of Baldwin. These areas are divided into nine zones and each zone has one inspector. There are separate occupational license fees for the City and the County and the fees depend on the size of the business (i.e. number of employees, amount of inventory, number of seats) and some businesses may require more than one license (i.e. a beauty salon who sells beauty supplies).

Finding #1-1

The field inspectors in the Taxes and Business License Department do not have written guidelines or procedures and were therefore inconsistent with how they performed their duties; such as what types of visits were priority during different times of the year, the use of the issued receipt books, the completion of the daily mileage log, the criteria to change a business from active to inactive, and the length of time spent in the field on a daily basis. The field inspectors within the Taxes and License Department collect delinquent occupational licenses and delinquent TPP tax. We analyzed the daily mileage logs for each inspector from January through April 2004 and found that the average time in the field per day for each inspector was 3.65 hours. The 3.65 hours per day may or may not include one hour for lunch. We did not subtract time for lunch because the inspectors were inconsistent about when they took lunch and there was no record on the daily mileage log if or when a lunch was taken.

Recommendation to Finding #1-1

We recommend that the Tax Collector develop and implement written procedures for the field inspectors. At a minimum, they should include methods for collecting cash and checks in the field, use of the issued receipt books, depositing cash in the office, instructions for the completion of the daily mileage log, a list of priorities throughout the year and guidelines for changing the status of a license from an active business to an inactive business.

Tax Collector's Response to Finding #1-1

Written procedures for field inspectors will be developed to ensure continuity throughout the operation and to serve as a reference for both staff and management. These procedures will include guidelines for collecting cash and checks in the field, the use of pre-numbered receipt books, depositing cash in the office, completion of a daily log, a list of priorities, and guidelines for changing the status of a license.

Finding #1-2

Eight of the nine inspectors within the Taxes and License Department share a computer and do not log off after use; and therefore, the user per the system is unreliable. They each have their own user name and password; but they do not log off and log on after each use.

Recommendation to Finding #1-2

We recommend that each inspector be required to log out after each use to allow the other user to log on if necessary.

Tax Collector's Response to Finding #1-2

Each inspector has a unique user name and password and will be reminded and required to use their individual user name rather than the user name of the inspector that was using the machine before them. We will also explore the possibility of individual workstations as the revised organizational structure evolves.

Finding #1-3

The Tax Collector does not have inquiry access to the Building and Zoning system that would allow the field

inspector to determine if licensed contractors were applying for permits. This ability would assist an inspector in determining whether an active business in question should remain active.

Recommendation to Finding #1-3

We recommend that the Tax Collector investigate the possibilities of allowing the field inspectors to have inquiry only access to the system in the Building and Zoning Division to enable them to determine if licensed contractors are applying for permits.

Tax Collector's Response to Finding #1-3

We agree that this would be a beneficial resource in identifying contractors that are in operation and pulling permits but have not paid the required Occupational License Tax. We will coordinate with the Building Inspection Division and discuss the possibilities of obtaining this information on a periodic basis.

Opportunity for Improvement-Tax & Business License Department

The field inspector's primary responsibility is to collect delinquent occupational licenses and delinquent TPP taxes. They perform this duty by visiting the businesses and attempting to make collections. We attempted to analyze the cost benefit to the City as a result of their collection efforts in the field.

The direct cost of the nine field inspectors is approximately \$335,883 annually. The costs included were salaries, benefits, and vehicle costs for one year (not including associated indirect costs).

The delinquent occupational licenses and TPP taxes as a result of the efforts of the field inspectors could not be calculated because the revenue collected as a result of their efforts are not segregated from the total delinquent occupational license collections and the delinquent TPP tax collections. However, we did analyze the total revenue received and considered other factors that contribute to the revenue collection in addition to the collection efforts of the inspectors.

The total revenue received for occupational licenses for fiscal year 2003/2004 was \$7,363,177. This amount includes receipts that were paid on time and delinquent payments. The taxpayers who are delinquent receive reminder notices during January of each year. It is reasonable to conclude that the majority of the unpaid occupational licenses due would be collected as a result of the reminder notices mailed by the Tax Collector, without the efforts of the field inspectors.

The total amount of TPP charged for fiscal year 2003/2004 was \$96,406,461 and as of April 2004, less than one percent or approximately \$943,000 was delinquent. Per Florida Statute 197.413(6), "If it appears to the circuit court that the taxes that appear on the tax roll are unpaid, the court shall issue its order directing the tax collector...to levy upon and seize so much of the tangible personal property of the taxpayers who are listed in the petition as is necessary to satisfy the unpaid taxes, costs, interest, attorney's fees, and other charges". Therefore; it appears that other collection efforts for delinquent TPP taxes are unnecessary.

Based on this analysis and other findings presented in this report such as the lack of policies and procedures, the lack of time spent in the field, and the under-utilization of available resources, it appears that the use of nine field inspectors may be more than necessary. By restructuring employee assignments and processes and taking advantage of technology and other available resources, some of the personnel currently assigned as field inspectors could be re-assigned to other areas of need within the Tax Collector's Office.

Recommendation for Opportunity for Improvement-Tax & Business License Department

We recommend that the Tax Collector reduce the number of field inspectors, give the remaining field inspectors the tools to be more productive, utilize available resources, maximize the inspector’s time in the field, and develop a system to track collections by inspector.

Tax Collector’s Response to Opportunity for Improvement-Tax & Business License Department

We agree with this recommendation and are currently considering several options to improve the productivity and efficiency of the field inspector function.

AUDIT OBJECTIVE #2 - To determine all businesses in Duval County have an occupational license and that all licenses that were re-classed as inactive were appropriate.

1. In order to determine that all businesses are operating with an occupational license, we received a database of businesses that had a new account with JEA between October 1, 2003 and May 31, 2004 and we entered the service address in the occupational license screen in the Tax Collector’s Office to determine if the business with a new location had an occupational license.
2. In order to determine if licenses were re-classed from active to inactive appropriately, we received a database of the occupational licenses that were currently classified as inactive as of April 29, 2004 and determined whether the occupational license should be inactive as a result of the business being out of business. This determination was made by searching for the business on the Division of Corporation’s website, searching the yellow pages and calling the business.

Background

Per Municipal Code Section 770.103, “A person who shall carry on or conduct a business or profession for which a license is required without first obtaining the license shall...be guilty of a violation of this chapter and shall be punished as provided by law for violation of city ordinances.” Occupational licenses are renewed each year from August 1st through September 30th and become delinquent after October 1st. The Tax Collector has nine field inspectors that collect delinquent occupational licenses. Per F.S. Section 205.053, “Licenses that are not renewed when due and payable are delinquent and subject to a delinquency penalty of 10 percent for the month of October, plus an additional 5 percent penalty for each subsequent month of delinquency until paid. However, the total delinquency penalty may not exceed 25 percent of the occupational license tax for the delinquent establishment.” Nine zones divide Duval County and each zone has an inspector. A summary of occupational licenses is detailed below.

| | <u>4/22/04</u> | <u>7/9/04</u> |
|---------------------|----------------|---------------|
| Total Items on File | 56,985 | 56,985 |
| Total Items Paid | 53,740 | 56,762 |
| % of Items Paid | 94.3% | 99.6% |
| Total Tax Paid | \$7,251,133 | \$7,402,707 |

Finding #2-1

The field inspectors have the ability to change the status of an occupational license from active to inactive without authorization or approval. An inspector may collect a payment, delete the license from the system and not deposit the money collected. The control over this would be that the business owner who paid for the license would expect to receive a current license in the mail.

During our testing of inactive occupational licenses, we found that 7 of 131 (5.3%) inactive licenses sampled were changed from an active business to an inactive business inappropriately. The sample size of 131 was allocated between areas of zones one through nine and other. Five of the areas had exceptions that ranged from 4.5% to 28.6% of the sample size. The businesses were confirmed to be active through calling and talking to the owner, observing the filing of the active business on Division of Corporation's website, observing the active business on the Property Appraiser's website, or confirming that the name or location of the business had changed. The detail by area is presented below.

| Area | No. of Exceptions/Total Sample Size | Detail for Individual Licenses | | |
|---------------------|---|--------------------------------|----------------|-------------------------------|
| | | Amt of OL license | Year Last Paid | Estimated Loss of OL licenses |
| Zone 1 | 0 of 9 licenses sampled were active (0.0%) | -0- | N/A | -0- |
| Zone 2 | 0 of 8 licenses sampled were active (0.0%) | -0- | N/A | -0- |
| Zone 3 | 1 of 11 licenses sampled were active (9.1%) | \$57.75 | 2002/03 | \$115.50 |
| Zone 4 | 1 of 22 inactive licenses sampled were active (4.5%) | \$45.00 | 2002/03 | \$90.00 |
| Zone 5 | 0 of 16 licenses sampled were active (0.0%) | -0- | N/A | -0- |
| Zone 6 | 2 of 7 inactive licenses sampled were active (28.6%) | \$45.00 | 2001/02 | \$135.00 |
| | | \$337.50 | 2002/03 | \$675.00 |
| Zone 7 | 0 of 11 licenses sampled were active (0.0%) | -0- | N/A | -0- |
| Zone 8 | 0 of 11 licenses sampled were active (0.0%) | -0- | N/A | -0- |
| Zone 9 | 2 of 18 inactive licenses sampled were active (11.1%) | \$50.00 | 2001/02 | \$150.00 |
| | | \$100.00 | 2002/03 | \$200.00 |
| No Zip /Out of Town | 1 of 18 inactive licenses sampled were active (5.6%) | \$250.08 | 2002/03 | \$500.16 |
| | Total | | | <u>\$1,865.66</u> |

Since this sample was selected using statistical sampling, we extrapolated the testing results to the universe of occupational licenses. This resulted in a potential of 1,076 occupational licenses that could have been incorrectly classified from active to inactive.

Recommendation to Finding #2-1

We recommend that the ability of an inspector to change the status of an occupational license from active to inactive be evaluated to determine whether an approval process is necessary and feasible.

Tax Collector's Response to Finding #2-1

Field Inspectors should not have the ability to change the status of an occupational license from active to inactive. We will work with the City's Information Technologies Division to determine the best way to implement this recommendation and will also include it in our new tax system, Manatron. In addition, an approval process to change the status of a license will be implemented.

Finding #2-2

F.S. Section 770.125 states “*The Tax Collector shall refuse to issue an occupational license to an applicant or renew same if the tangible personal property tax of the applicable business has become delinquent and a tax warrant has been issued therefore.*” The field inspectors have the ability to delete or change the property appraiser control number on the occupational license screen that allows the system to accept a payment for an occupational license even though the business has a delinquent tangible personal property tax due. The property appraiser control number is a link between the occupational license screen and the TPP tax screen that prevents the tax collector from accepting a payment for an occupational license if the business has delinquent TPP tax due. The deletion or the change of the number allows the inspector to circumvent the system to allow an occupational license payment to be accepted.

Recommendation to Finding #2-2

We recommend that management remove the ability for a field inspector to change or delete the property appraiser control number.

Tax Collector’s Response to Finding #2-2

Field Inspectors should not have the ability to change or delete the Property Appraiser control number. We will work with the City’s Information Technologies Division to determine the best way to implement this recommendation and will include it in our new tax system, Manatron.

Finding #2-3

We requested a list of businesses from JEA who had their electric cut on beginning October 1, 2003 through May 31, 2004. Per JEA Customer Service, a business requesting electric service must provide proof of registration with the Division of Corporations or the registration of a fictitious name. From this database of 1,535 businesses, we selected a sample of 123 to determine whether this business had an occupational license.

We found that 43 (35.0%) of 123 businesses from the JEA database did not have an occupational license. The sample size of 123 was allocated between areas of zones “one” through “nine” and “other” and all areas had exceptions that ranged from 6.3% to 66.7% of the sample size. The detail by area is presented below.

| <u>Area</u> | <u>Universe</u> | <u>Total Sampled</u> | <u>No. of Exceptions</u> | <u>% of Exceptions of Tot Sampled</u> | <u>No. of Exceptions extrapolated to Universe</u> |
|--------------|-----------------|----------------------|--------------------------|---------------------------------------|---|
| Zone 1 | 153 | 12 | 1 | 8.3% | 13 |
| Zone 2 | 114 | 9 | 3 | 33.3% | 38 |
| Zone 3 | 198 | 16 | 1 | 6.3% | 12 |
| Zone 4 | 297 | 23 | 9 | 39.1% | 116 |
| Zone 5 | 227 | 18 | 8 | 44.4% | 101 |
| Zone 6 | 87 | 7 | 4 | 57.1% | 50 |
| Zone 7 | 119 | 10 | 4 | 40.0% | 48 |
| Zone 8 | 154 | 12 | 8 | 66.7% | 103 |
| Zone 9 | 145 | 12 | 4 | 33.3% | 48 |
| No Zip | 41 | 4 | 1 | 25.0% | 10 |
| Total | 1,535 | 123 | 43 | 35.0% | 539 |

Since this sample was selected using statistical sampling, we extrapolated the testing results to the universe of businesses per the JEA database from October 1, 2003 through May 31, 2004. This resulted in a potential of 539 new businesses that were operating without an occupational license.

Recommendation to Finding #2-3

We recommend that the Tax Collector work with the JEA to investigate the possibility of JEA requiring a business to supply proof of a paid occupational license, or an exemption thereto, in order to apply for permanent electric service. If this process is not feasible, the Tax Collector should periodically request from the JEA, a database of all businesses with new electric service. This listing could then be compared to the Tax Collector's system to determine if all businesses with new electric service require and should have purchased an occupational license.

Tax Collector's Response to Finding #2-3

We agree that obtaining a listing from JEA of all businesses with new electric service would be a valuable resource in identifying those businesses that have not paid the required Occupational License Tax. We will work with JEA to obtain this information on a periodic basis and investigate the possibility of JEA requiring a business to supply proof that the Occupational License Tax has been paid in order to apply for permanent electric service.

AUDIT OBJECTIVE #3 - To determine that delinquent tangible personal property (TPP) tax is properly collected and recorded on the Tax Collector's system as required by F.S. Chapter 197.413 and that TPP taxes were re-classed from active to inactive appropriately.

1. In order to determine that the TPP tax was properly collected and recorded, we received a database of paid delinquent TPP taxes for the 2001 and the 2002 tax rolls and agreed the amount paid per the Tax Collector's system TPP screen to the tax roll for the appropriate tax year.
2. In order to determine that delinquent TPP taxes were re-classed from active to inactive appropriately, we received a database of delinquent TPP taxes that were inactive as of June 3, 2004. Our testing included requesting the supporting documentation for each inactive TPP tax from the appropriate inspector and investigating further, if necessary.

Background

The personal property of businesses in Duval County is assessed a TPP tax by the Property Appraiser's Office and collected by the Tax Collector's Office. Per F.S. 197.413, "after May 1st of each year, warrants are mailed out for the prior year TPP tax that have become delinquent". The TPP tax charged for the 2003 tax year was \$96,406,460 and as of April \$95,463,284 (99%) had been paid. The field inspectors attempt to collect the TPP tax once it becomes delinquent. The nine field inspectors that collect delinquent occupational licenses also collect delinquent TPP tax.

Finding #3-1

The inspectors have the ability to change the amount of the TPP tax due on the TPP tax screen, which would allow the inspector to accept a payment for TPP taxes for an amount other than the amount on the TPP tax roll. We selected a sample of delinquent paid TPP taxes and agreed the paid amount to the TPP tax roll to determine that the amounts were the same. We found no exceptions; however, the inspector's ability to change the amount of the TPP tax due is unnecessary and provides an opportunity for the misappropriation of funds.

Recommendation to Finding #3-1

We recommend that management remove the ability for a field inspector to change the amount of the TPP tax due.

Tax Collector’s Response to Finding #3-1

Field Inspectors should not have the ability to change the amount of tax due for Tangible Personal Property. We will work with the City’s Information Technologies Division to determine the best way to implement this recommendation and will include it in our new tax system, Manatron.

Finding #3-2

Per Section 197.416 of the Florida Statutes, “It shall be the duty of the tax collector issuing a tax warrant for the collection of delinquent TPP taxes to continue from time to time his or her efforts to collect such taxes for a period of 7 years from the date of the issuance of the warrant. ... A tax collector or his or her successor shall not be relieved of accountability for collection of any taxes assessed on TPP until he or she has completely performed every duty devolving upon the tax collector as required by law.”

During our testing of inactive TPP taxes, we found that 5 (4.1%) of 122 tangible personal property (TPP) taxes sampled were incorrectly changed from an active business to an inactive business. The sample size of 122 was allocated between zones “one” though “nine” and three of the nine zones had exceptions that ranged from 7.1% to 15.8% of the sample size. The detail of the three zones with exceptions is presented below.

| Area | No. of Exceptions/Total Sample Size | Detail for Individual Licenses | | |
|--------|--|--------------------------------|--------------------|-----------------------------|
| | | Amt of TPP tax | Tax Year Last Paid | Estimated Loss of TPP Taxes |
| Zone 1 | 1 of 12 inactive TPP taxes sampled were active (8.3%) | \$78.90 | 2000 | \$236.70 |
| Zone 2 | 0 of 11 inactive TPP taxes sampled were active (0.0%) | -0- | N/A | -0- |
| Zone 3 | 0 of 11 inactive TPP taxes sampled were active (0.0%) | -0- | N/A | -0- |
| Zone 4 | 0 of 21 inactive TPP taxes sampled were active (0.0%) | -0- | N/A | -0- |
| Zone 5 | 3 of 19 inactive TPP taxes sampled were active (15.8%) | \$48.74 | 2001 | \$97.48 |
| | | \$10.14 | 2000 | \$30.42 |
| | | \$66.93 | 1999 | \$267.72 |
| Zone 6 | 0 of 7 inactive TPP taxes sampled were active (0.0%) | -0- | N/A | -0- |
| Zone 7 | 0 of 11 inactive TPP taxes sampled were active (0.0%) | -0- | N/A | -0- |
| Zone 8 | 1 of 14 inactive TPP taxes sampled were active (7.1%) | \$39.95 | 2000 | \$119.85 |
| Zone 9 | 0 of 16 inactive TPP taxes sampled were active (0.0%) | -0- | N/A | -0- |
| | Total | | | <u>\$752.17</u> |

Since this sample was selected using statistical sampling, we extrapolated the testing results to the universe of inactive TPP taxes. This resulted in a potential of 91 businesses that owe TPP taxes that were incorrectly classified from active to inactive.

Recommendation to Finding #3-2

We recommend that the process of changing the status of a TPP tax due from active to inactive be evaluated to

determine whether the current method needs modifying. At a minimum, the inspector should be required to complete a checklist listing required steps to document the verification that the business should be re-classified from active to inactive. The approval process by the Revenue Collector IV should also be in writing.

Tax Collector's Response to Finding #3-2

We agree that a more defined approval process should be developed in order to change the status of a TPP tax due from active to inactive. We will develop a checklist that requires the written approval of a supervisor in order for this change to be made.

AUDIT OBJECTIVE #4 - To determine that the mobile home field inspectors are performing their job duties in the most effective and efficient manner and that the mobile home process is cost beneficial to the City of Jacksonville.

1. In order to determine the effectiveness and efficiency of the field inspectors, we performed a ride-a-long with each inspector and analyzed their daily mileage logs for a four-month period.
2. In order to determine that the inspection process of current mobile home registrations are cost beneficial to the City of Jacksonville, we analyzed the cost of the two inspectors as compared to revenue received.

Background

Florida Division of Motor Vehicles Procedure RS-10 for Mobile Home Registrations states “*Section 320.0815, Florida Statutes, provides for recreational vehicle-type units such as travel trailers and park trailers, which are permanently affixed to the land to be registered as mobile homes with a mobile home decal*”. The Tag Agency has two field inspectors that inspect mobile homes to determine if it has a current mobile home decal.

Finding #4-1

The field inspectors in the Tag Agency do not have written guidelines or policies that dictate procedures for inspecting mobile homes. The mobile home inspectors each have their own method to plan their day to search for mobile homes in mobile home parks. Per the inspectors, there is not a method to search for mobile homes in residential areas. The inspectors are also inconsistent regarding the completion of their daily mileage log and they do not complete the time log located in the office. We attempted to analyze the daily mileage logs and found that the inspectors did not log their time out and time in on their mileage logs; and therefore, the average hours in the field could not be calculated.

Recommendation to Finding #4-1

We recommend that the Tax Collector develop and implement written procedures for the field inspectors. At a minimum, they should include methods for inspecting mobile homes in residential areas and mobile home parks, the completion of the daily mileage log and completing the in/out log located in the office.

Tax Collector's Response to Finding #4-1

Written procedures for mobile home inspectors will be developed to ensure continuity throughout the operation and to serve as a reference for both staff and management. These procedures will include guidelines for collecting cash and checks in the field, use of pre-numbered receipt books, depositing cash in the office, completion of a daily log, a list of priorities and methods for inspecting mobile homes in residential areas and mobile home parks.

Finding #4-2

The mobile home inspectors do not receive a list of delinquent decals. The inspectors inspect at random and go wherever they wish as long as the visits are within their area. During the audit, we inquired if there was a list of unpaid mobile home registrations. The Tax Collector's Office contacted the Department of Motor Vehicles to request this report. A report titled "Mobile Homes Not Currently Registered" was received from the Florida Department of Motor Vehicles. The report includes the entire state of Florida, however there are codes listed to determine the unregistered mobile homes for the consolidated Duval County/City of Jacksonville. This report has never been requested by the Tax Collector in the past and therefore, is not used by the inspectors to search for unregistered mobile homes.

Recommendation to Finding #4-2

We recommend that the Tax Collector utilize the Division of Motor Vehicles' capability to generate the report of "Mobile Homes Not Currently Registered" in order to assist the inspectors in notifying mobile home owners of their status of non-compliance.

Tax Collector's Response to Finding #4-2

We will establish a process of receiving and reviewing the "Mobile Homes Not Currently Registered" report from the Division of Motor Vehicles. This will assist the inspectors in notifying mobile home owners of non-compliance and improve the efficiency of the operation.

Finding #4-3

The owner of a mobile home is required to apply for a move-on permit through the Building and Zoning Division of the Public Works Department. The field inspectors do not use the move-on permits to determine that the owner also received a mobile home registration from the Tax Collector's Office.

Recommendation to Finding #4-3

We recommend that the field inspectors for mobile homes utilize the ability of accessing the move-on permits from the Building and Zoning Division to ensure that all new mobile home owners also receive a mobile home registration or, if feasible, the Tax Collector's Office should research the possibilities with the Building and Zoning Division for them to require proof of a paid mobile home registration prior to issuing a move-on permit.

Tax Collector's Response to Finding #4-3

We agree that having the ability to access move-on permit information from the Building and Zoning Division would be a valuable resource in identifying those mobile home owners that have not received the required registration. We will work with the Building and Zoning Division to obtain this information on a periodic basis and investigate the possibility of Building and Zoning requiring proof of a paid mobile home registration prior to issuing a move-on permit.

Opportunity for Improvement-Tag Agency-Mobile Home Inspections

The Tax Collector has two field inspectors for mobile homes and their primary responsibility is to inspect mobile homes to determine if they have a current mobile home decal attached to the window of the mobile home. They leave a "Notice of Violation" on the door if they do not have a current decal in the window. The inspectors do not make collections. The mobile home owner is required to go to the Tax Collector's Office to make payment for and receive a current decal. We attempted to analyze the cost benefit to the City as a result of their efforts in the field.

The direct cost of the two mobile home field inspectors is approximately \$86,727 annually. The costs included were salaries, benefits, and vehicle costs for one year (not including associated indirect costs). The mobile home registrations paid as a result of the efforts of the inspectors could not be calculated because the revenue collected as a result of their efforts are not segregated from the total mobile home collections. The total revenue for mobile home registrations for fiscal year 2003/2004 was \$302,204. It is reasonable to conclude that the majority of the unpaid mobile home registrations due would be collected as a result of the renewal notices mailed by the Tax Collector, without the efforts of the field inspectors.

Based on this analysis and other findings presented in this report such as the lack of policies and procedures and the under-utilization of available resources, it appears that the Tax Collector is not receiving the maximum benefit of the two inspectors.

Recommendation for Opportunity for Improvement-Tag Agency-Mobile Home Inspections

We recommend that the Tax Collector utilize the “move-on permits” from the Department of Public Works to determine that new mobile homes are registered with the Department of Motor Vehicles and the “Mobile Homes Not Currently Registered” report from the Florida Department of Motor Vehicles be utilized to notify the mobile home owners who have a delinquent mobile home registration. The utilization of these reports should reduce the amount of staff needed for field inspections.

Tax Collector’s Response to Opportunity for Improvement-Tag Agency-Mobile Home Inspections.

We agree with this recommendation and are currently considering several options to improve the productivity and efficiency of the mobile home inspector function.

We would like to thank the employees in the Tax Collector’s Office for their cooperation and assistance during this audit.

Respectfully submitted,

Richard Wallace, CPA
Council Auditor

Audit performed by:
Renee Beckham, CPA
Thomas Carter, CPA
Cabrina Hartley



OFFICE OF THE TAX COLLECTOR

MIKE HOGAN
TAX COLLECTOR

November 23, 2004

231 E. FORSYTH ST., ROOM 100
JACKSONVILLE, FLORIDA 32202-3356

Richard Wallace, Council Auditor
Suite 200
St. James Building

Dear Mr. Wallace:

Thank you for the very excellent audit your staff performed on our Occupational License Inspector and Mobile Home Inspector operations. We believed, and your audit substantiated, that more revenue opportunities existed than we were securing. As a direct result of your audit findings, we will reorganize the two operations, institute additional audit controls, realign policy and insure the proper management of this valuable revenue resource for the taxpayers of Duval County.

Attached is our response to the audit findings which we believe to be comprehensive.

Please express our sincere gratitude to Ms. Renee Beckham, Mr. Thomas Carter and Ms. Cabrina Hartley. Their work product was excellent and their insight about our operations will enable us to better serve the taxpayers of Jacksonville/Duval County.

Yours very truly,

Mike Hogan, Tax Collector

CC: MH/ba
Attachment