



CITY OF OAKLAND  
Office of the City Auditor

OFFICE OF THE CITY AUDITOR  
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## **AUDIT FINDS OAKLAND BUSINESSES ARE FORCED TO WAIT UP TO ONE YEAR FOR CITY TAX REFUNDS**

UNCLEAR CITY GUIDELINES & OUTDATED PROCEDURES ARE  
OBSTACLES TO ISSUING TIMELY TAX REFUNDS

OAKLAND, CA --- Between 2013 and 2017, the City of Oakland collected \$281 million in taxes from local business owners. Of that \$281 million, it was determined that \$712,000 (less than 1% of the total) should be refunded due to overpayment. Despite the relatively small number of refunds to be processed, it took the City between three months to one year to process them. While business refunds represent an extremely small portion of the City's total taxes collected and its overall budget, refunds owed to business owners may significantly impact their budgets and operations. In some cases of extreme overpayment, untimely refunds can hurt businesses' ability to sustain themselves.

The City's Municipal Code permits business owners to request a refund of taxes paid "...whenever the amount of any tax, penalty or interest has been, due solely to a clerical, accounting or mathematical error, erroneously paid to, collected or received by the City...". Auditor Roberts noted, "our City has a responsibility to ensure tax overpayment or payments made in error are refunded to our taxpayers on time. Increasing efficiency is essential, especially with the influx of new businesses in Oakland."

The Municipal Code requires the Office of the City Auditor to audit business tax refunds for accuracy and appropriate approval. The audit staff reviewed refunds paid between and including fiscal years 2013-14 through 2016-17. The audit found the Department of Finance issued refunds accurately, in compliance with the Municipal Code, but it also identified ways to improve customer services to provide better guidance to taxpayers requesting refunds of taxes. The audit recommends updating taxpayer forms and procedures and restricting the City's taxpayer system from accepting generic staff usernames, which could result in misuse or fraud.

The City implemented a new taxpayer system, called HdL, in December of 2016. To identify tax overpayments quickly, the City just initiated a pilot program in the new system, but it is still in the test phase and the official rollout date has yet to be determined.

While the new system will help identify payment errors, Auditor Roberts felt compelled to offer the Finance Department additional suggestions for even greater efficiency and improved customer service. These included offering taxpayer materials in other languages to meet the needs of Oakland's non-English speaking community, encouraging the Finance Department to provide notices of receipt to taxpayers once their refund filings are submitted, and updating the City's Business Tax Declaration Form to provide clear and concise taxpayer instructions on how to calculate business taxes, ultimately reducing the likelihood of errors.

To read the full audit report please visit: [https://www.oaklandauditor.com/wp-content/uploads/2018/08/20180824\\_Performance-Audit\\_Business\\_Tax\\_Refunds.pdf](https://www.oaklandauditor.com/wp-content/uploads/2018/08/20180824_Performance-Audit_Business_Tax_Refunds.pdf)

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**Brenda Roberts has been Oakland's City Auditor since 2015.** Under her guidance, the Office has issued 21 audit reports in less than 4 years, including all six mandated audits, as is required of the City Auditor. The Office prepared impartial financial analyses for 12 ballot measures, and investigated and closed more than 170 Whistleblower complaints. It is an award-winning office, and most recently received the Knighton Award -Exemplary from the Association of Local Government Auditors.