

Audit **REPORT**

Performance Audit of the Revenue Management
Bureau's Business Tax Collections Process

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April 1, 2026

Re: Performance Audit of the Revenue Management Bureau's Business Tax Collections Process

Residents of Oakland, Mayor Lee, Council President Jenkins, Members of the City Council, City Attorney Richardson, and City Administrator Johnson:

On June 28, 2024, the City Council passed Resolution 90326, which included funding to the City Auditor's Office for an independent audit to assess the effectiveness of the Revenue Bureau.¹ We contracted Sjoberg Evashenk Consulting, Inc. to conduct the audit. The audit report — which is intended to complement the City Administration's revenue collections improvements — is enclosed.

The objectives of the audit were to:

- determine if the Bureau is collecting all revenue that is due, has the necessary systems in place to ensure accurate and timely billing and collection of applicable City taxes and fees, and
- identify how the Bureau could increase collection of City taxes and revenues.

The audit reviews data from July 1, 2021 through June 30, 2024.

The audit found the Bureau did not collect all revenue that was due to the City, and that, during the period of the review, the Bureau reduced or ceased multiple activities that led to reductions in the revenues that could have been collected. This reduced activity corresponded to an organizational shift in late 2022, during which the Tax Compliance Division began reporting directly to the Revenue and Tax Administrator.

During this time, the Tax Compliance Division of the Revenue Bureau did not consistently or timely refer delinquent business tax accounts to other divisions for collecting on those accounts. For example, no batches of delinquent accounts were sent to the Collections Division in 2023. Additionally, the vast majority of accounts forwarded to the Collections Division in 2024 had not been researched, contact

¹ The request and funding for this audit were included within the FY 2024-25 Proposed Midcycle Budget Legislation: <https://oakland.legistar.com/LegislationDetail.aspx?ID=6715777&GUID=4C770D70-A6FB-406F-B826-A49B58E696D8&Options=ID|Text|&Search=90326>.

attempts with businesses had not been made, and no notes or supporting documents were attached.² As a result, the Collections Division had to take on tasks normally completed by the Tax Compliance Division, reducing the effectiveness of the revenue collection process and risking the timeliness of potential collections, which has a three-year statute of limitations on business taxes, fees, and penalties.

In 2025, after the period reviewed, the Finance Department dissolved the Tax Compliance Division, which was responsible for collecting revenue by bringing non-registered and delinquent businesses into compliance. Those responsibilities are now under the Business Tax Division, which researches delinquent accounts, and refers them to specialized units (i.e., the Collections Division, Citywide Liens Division, Tax Audit Division) for follow-up.

In terms of necessary systems, the audit found that the Bureau did not implement the full range of recommended business discovery practices; that it did not have adequate system controls, including segregation of duties; and that it needs a comprehensive performance management and monitoring system. However, the audit did find that the Bureau's tax registration and renewal processes were generally consistent with recommended practices, as were its tax audit and revenue verification processes.

The audit makes 10 recommendations to the Revenue Management Bureau to correct the problems identified including: the development of policies and procedures to memorialize expectations, practices, and goals; standardized account status codes for tracking delinquency; procedures for regular enforcement; the reinstatement of business discovery methods; revised system controls to prevent a single individual from modifying business tax records; and instituting performance metrics to track and report on revenue collection to ensure business processes occur as required and intended.

We presented the audit's findings, conclusions, and recommendations to the City Administration, including staff from the Finance Department. The Administration indicated they generally agreed with the report's findings and recommendations and their written response is forthcoming.

We are grateful to the City Administration, including staff in the Finance Department, for their cooperation and insight during the audit process. Lastly, we appreciate the team at Sjoberg Evashenk Consulting, Inc. for conducting this important performance audit.

Respectfully submitted,



Michael C. Houston
City Auditor

cc: Bradley Johnson, Finance Director
Nicole Welch, Revenue & Tax Administrator

² Due to data limitations, the audit was unable to determine an accurate total for revenue lost by the City in uncollected debts, or the administrative costs of specialized units undertaking tasks that were to be completed by the Tax Compliance Division, or the amount of revenue deemed uncollectable due to the statute of limitations tolling. In a given year, the Bureau could expect to refer between \$9 and \$12 million to the Collections and Citywide Liens divisions; delays in referring these accounts put this revenue at risk.



REPORT HIGHLIGHTS

Performance Audit of the Revenue Management Bureau's Business Tax Collections Process

Background

Our Office contracted an audit of the Finance Department's Revenue Management Bureau. The audit report, completed by Sjoberg Evashenk Consulting, was requested by City Council. The audit is intended to complement the City Administration's revenue collections improvements. The objectives of the audit were to determine if the Revenue Management Bureau was collecting all revenue due to the City, has the necessary systems in place to ensure accurate and timely billing and collection of applicable City taxes and fees, and identify how the Bureau could increase collection of City taxes and revenues.

What We Found

The audit found the Bureau did not collect all revenue that was due to the City during the period of the review. The Bureau had reduced or ceased activities that led to reductions in potential revenue. This reduced activity corresponded to an organizational shift in late 2022. At that time, the Tax Compliance Division of the Revenue Bureau did not refer delinquent business tax accounts for collection timely or consistently. Also, the Bureau did not use the full range of recommended business discovery practices. The audit found the Bureau lacks adequate system controls, including segregation of duties. The Bureau also lacks a comprehensive performance management and monitoring system. The audit did find some positives. The Bureau's tax registration and renewal processes were mostly consistent with best practices. Its tax audit and revenue verification processes were also consistent with best practices.

What We Recommend

The audit makes 10 recommendations to correct these issues. The recommendations promote consistency in the business tax process to aid the City in collecting business tax and enable consistent, timely treatment of businesses. The audit recommends the Bureau develop policies and procedures to memorialize expectations. Other recommendations are to standardize account status codes, revise system controls, and institute best practices like developing, tracking, and reporting on performance metrics to ensure business processes occur as intended.

Independent City Auditor. Reporting Directly to the Residents.

City of Oakland
Office of the City Auditor

Performance Audit of the Revenue Management
Bureau's Business Tax Collections Process

February 2026



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Introduction and Background

Oakland’s (City) Office of the City Auditor hired Sjoberg Evashenk Consulting, Inc. to perform an audit of the City’s Revenue Management Bureau. The objectives of the audit were to (a) determine if the Bureau is collecting all revenue that is due, and has the necessary systems in place to ensure the accurate and timely billing and collection of applicable City taxes and fees, and (b) identify how the Bureau could increase collection of City taxes and revenues. The audit scope includes the City’s business tax collection activities during the period July 1, 2021, through June 30, 2024.

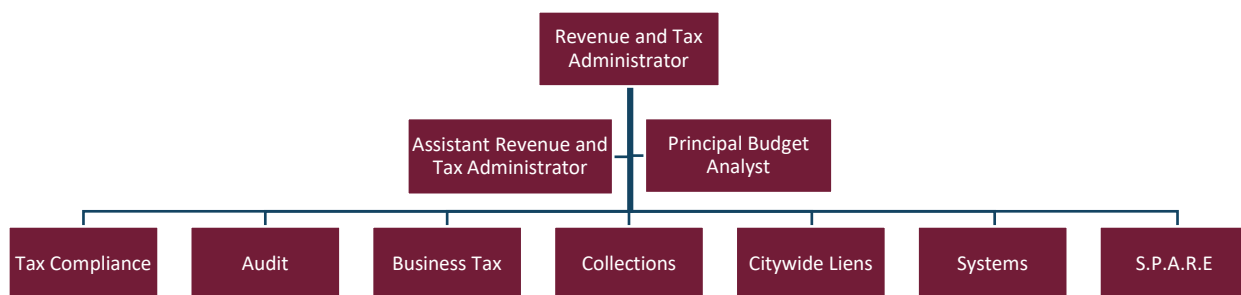
Revenue Management Bureau

The City of Oakland’s Finance Department provides government financial services and manages the City’s financial affairs. The Finance Department consists of seven bureaus:

- Administrative Bureau
- Budget Bureau
- Controller’s Bureau
- Payroll Bureau
- Procurement, Contracts and Purchasing Bureau
- Revenue Management Bureau
- Treasury Bureau

The Revenue Management Bureau (Bureau) is responsible for, among other revenue collection activities, administering the City’s business tax program. As of Spring 2025, the Bureau was organized into seven organizational units with as many as 65 full-time equivalent employees, as illustrated in Exhibit 1. In Summer 2025, the Tax Compliance Division was eliminated, and most of its functions were transferred to the Business Tax Division and Citywide Liens Division. For the purposes of this audit, we have included the Tax Compliance Division in our analysis because of its role in business tax collection between July 1, 2021, and June 30, 2024.

EXHIBIT 1. REVENUE MANAGEMENT BUREAU ORGANIZATIONAL STRUCTURE



Source: Auditor generated from Revenue Management Bureau organizational chart

The role of each business unit, as it relates to the collection of City business taxes, is described below.

- **Business Tax Division**—this unit is responsible for assessing, invoicing, and collecting Business Taxes, Parking Taxes, Transient Occupancy Taxes, Excess Litter Fees, Business Improvement District fees, and Rent Adjustment Program Fees.

- **Tax Compliance Division**—this unit is responsible for collecting revenue by bringing non-registered and delinquent businesses into compliance. A key activity of this unit is to run or request queries in the business tax tracking software system to identify and investigate potentially non-compliant businesses, which are those with a delinquent business tax account.
- **Collections Division**—this unit is responsible for collecting delinquent taxes and fees from non-rental and cannabis businesses and is also involved in lien/AICO processes with rental businesses.
- **Citywide Liens Division**—this unit is responsible for imposing liens on property owners with rental properties who are deemed delinquent in paying business taxes.
- **Tax Audit Division**—this unit is responsible for administering and validating complex cannabis business tax applications. They also perform audits regarding the business tax, real property tax, parking tax, transient occupancy tax, and utility consumption tax.
- **Systems Division**—this unit is responsible for managing Oakland’s business tax information system and its vendor.
- **S.P.A.R.E. Division**—Special Assessment Refund and Exemption Forms—This unit is responsible for processing refunds and exemption applications for various taxes, including violence prevention tax, Measure Q, Measure AA, and Measure Y.

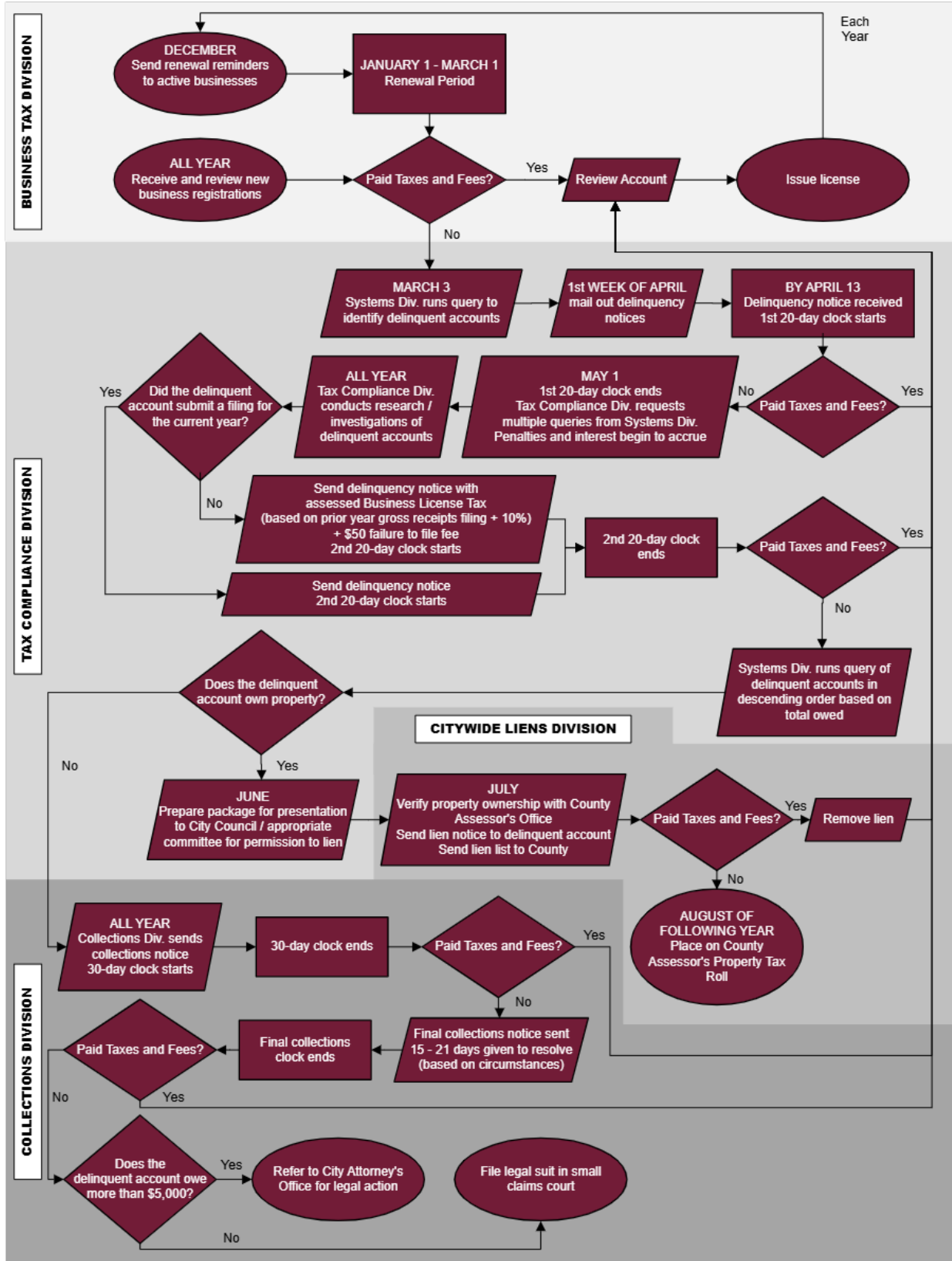
Tax Collection Process

All persons and companies, including non-profit organizations, doing business within the City of Oakland are required by Municipal Code section 5.04 to register for a business tax account with the City’s Revenue Management Bureau within 30 days of starting business, and must pay annual business taxes and related fees before March 1 each year, based on the prior calendar year’s gross receipts. The Municipal Code establishes 21 business classifications (including retail, grocery, auto sales, wholesales, business/personal services, professional services, rental, and cannabis), representing diverse business activities, and establishes distinct tax rates for each type of business activity.

In addition to these business classifications and tax rates, the Municipal Code also establishes certain other applicable fees that are assessed along with business taxes, including a Rent Adjustment Program fee of \$101 per rental unit, a \$5 Recordation and Technology fee to offset operations costs, and other State, County, and City mandated fees. The Revenue Management Bureau assesses additional penalties and interest for businesses that fail to pay required taxes and fees by March 1 of each year.¹ The Revenue Management Bureau issues compliant businesses with an annual Business Tax Certificate (commonly referred to as a business license) upon payment of business tax obligations. All Business Tax certificates expire on December 31 each year. The process of business tax collection is outlined in Exhibit 2.

¹ Businesses may request a 45-day extension, which may be granted by the Revenue Management Bureau.

EXHIBIT 2. SIMPLIFIED BUSINESS TAX PROGRAM WORKFLOW

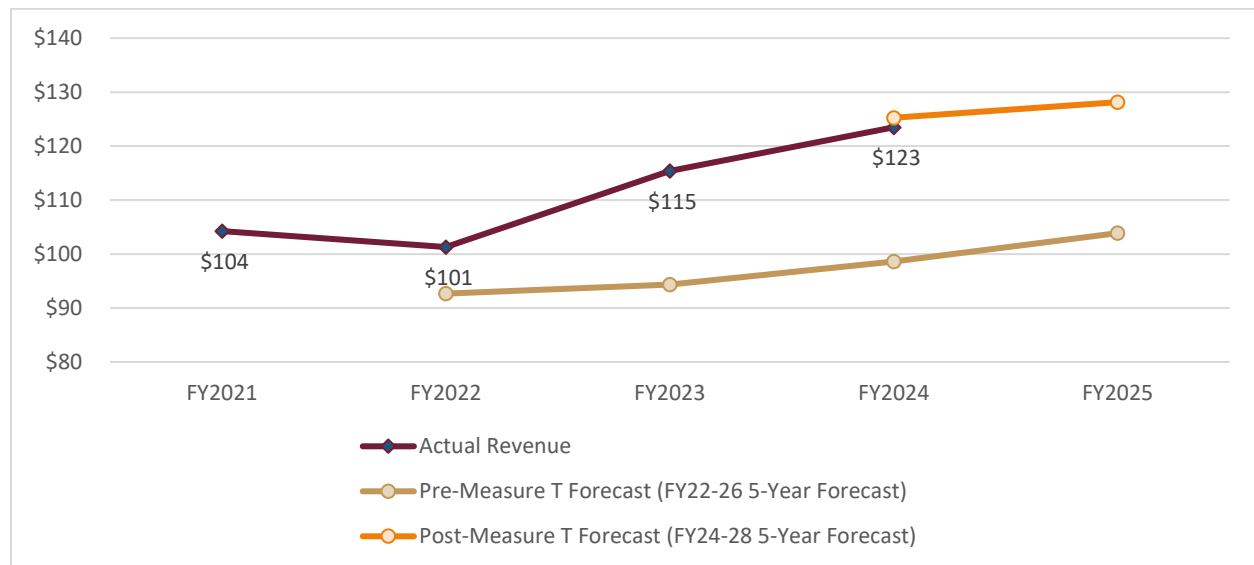


Source: Auditor generated based on "Delinquency Collection Process" dated 3/31/09 and interviews

Measure T & Recent Events

In November 2022, voters passed Measure T, an increase to the Business License Tax which changed the flat rate assigned for each business classification to a progressive tax structure. Under the new structure, the City assesses a higher tax rate on those businesses with higher gross annual receipts. Similar structures had already been implemented in neighboring major cities such as San Francisco and San Jose. Implemented in Fiscal Year 2023, initial projections estimated an increase of \$20 million in revenue from the change. Prior to 2023, City business taxes generated just over \$100 million per year. From July 1, 2022, to June 30, 2023, the City collected over \$115 million in Business License Taxes, an almost 14 percent increase from the prior Fiscal Year and \$21 million more than what the City had forecasted under its prior business tax structure. The actual collected Business License Tax revenues compared to the forecasts made both before and after the passage of Measure T are displayed below in Exhibit 3.

EXHIBIT 3. BUSINESS LICENSE REVENUE FISCAL YEARS 2021-24 WITH FORECASTS (IN MILLIONS)



Source: Auditor generated from Annual Comprehensive Financial Reports and Five-Year Financial Forecasts

In March 2023, the Finance Department predicted an operating deficit in the General Purpose Fund of \$195.5 million in Fiscal Year 2024. Through the City's efforts to reduce expenses and raise revenue (including the previously discussed increased income from Measure T); by early 2024, the estimated deficit was revised to \$177 million. According to the Fiscal Year 2024 Second Quarter Revenue and Expenditure Results, expenses were projected to be over budget by approximately \$8 million, so most of the Fiscal Year 2024 predicted shortfall was in revenue. Declines in taxes from real estate transactions, Business License Tax, and a large land sale that was delayed until Fiscal Year 2025² accounted for over 98 percent of the shortfall. As of March 6, 2024, the City had collected a little over \$103 million in Business License Tax, causing a downward adjustment in projected Business License Tax revenue from \$125.25 million to \$115.72 million for the year.

² Sale of the City's share of the Oakland-Alameda County Coliseum Complex was authorized by the City Council in June 2024, for \$105 million, \$60 million of which was expected by the end of Fiscal Year 2025.

Audit Findings

This audit evaluated the Revenue Management Bureau in several elements that are common in effective municipal business tax collection programs. These include:

- identifying and subjecting delinquent businesses to appropriate enforcement measures;
- implementing methods that identify businesses that failed to register, as required;
- ensuring adequate internal controls designed to prevent fraud, waste, or abuse;
- measuring and monitoring program performance to ensure optimal effectiveness and efficiency;
- ensuring user-friendly systems that allow businesses to easily register for and pay required business taxes; and
- auditing businesses to ensure tax filings are accurate.

Overall, while the Revenue Management Bureau had implemented some of these recommended practices, some of the practices once in place had ceased during the period reviewed (July 1, 2021, to June 30, 2024), reducing the effectiveness of the Bureau’s business tax collection program.

The Bureau Did Not Collect All Revenue that was Due Because the Systems in Place Did Not Ensure the Accurate and Timely Billing and Collection of Applicable Taxes and Fees

Despite the Business License Tax revenue increasing year over year since passing Measure T, as shown in Exhibit 3, these increases fell short of the updated forecasts for Fiscal Year 2024 that were based on the implementation of Measure T and masked several issues. This audit found that during the period of review, the Bureau reduced or ceased multiple activities that led to reductions in the revenues that could have been collected. In Exhibit 4 below, we provide an overview of several recommended practices and how the Bureau rates in each practice area (see Appendix A of this report to review our methodology and benchmarking efforts).

EXHIBIT 4. COMPARISON OF THE REVENUE MANAGEMENT BUREAU’S PRACTICES WITH LEADING PRACTICES

Municipal Business Tax Program Recommended Practice Area	Bureau’s Practice
Enhanced Enforcement for Delinquent Businesses	
<ul style="list-style-type: none"> • Timely identification of delinquent businesses and referral of delinquencies to enforcement agencies (e.g., collections agencies, processing of property liens, legal action). 	No
<ul style="list-style-type: none"> • Use of punitive (i.e., legal action) and non-punitive (e.g., payment plans, amnesty programs) programs to encourage non-compliant businesses to pay outstanding taxes. 	Partial
Business Tax Discovery	
<ul style="list-style-type: none"> • Develop and implement systems to match business entity data with businesses registered in the business tax information system to identify non-registered and non-compliant businesses. 	Partial

Municipal Business Tax Program Recommended Practice Area	Bureau's Practice
<ul style="list-style-type: none"> Conduct field inspections to identify non-registered businesses and to verify continued operation of delinquent businesses. 	Partial
<ul style="list-style-type: none"> Implement public-facing business tax certificate look-up tools to allow other public and private parties to review a business's registration and compliance. 	No
Segregation of Duties	
<ul style="list-style-type: none"> Establishing policies and procedures requiring at least two employees, one of which to be at the supervisory or management level depending on dollar threshold, approve all adjustments and that the purpose of the adjustment be fully documented. 	No
<ul style="list-style-type: none"> Implementing system controls to prevent a single individual to adjust amounts due without secondary approval, and review processes to detect instances in which such adjustments were made. 	No
Performance Measurement & Monitoring	
<ul style="list-style-type: none"> Develop, track, and report performance metrics that illustrate the overall efficiency and effectiveness of the business tax collection program. 	No
<ul style="list-style-type: none"> Develop, track, and report milestones for key activities (e.g., identification of delinquent accounts, referrals of accounts to enforcement units, dates of notifications, etc.) to ensure business processes occur as required and intended. 	No
Business Tax Collection	
<ul style="list-style-type: none"> Create and disseminate guidance for the business community to easily understand business tax requirements. 	Yes
<ul style="list-style-type: none"> Implement a tax payment system that notifies taxpayers in advance of the tax coming due, and allows for multiple methods of payment. 	Yes
<ul style="list-style-type: none"> Provide customer support for taxpayers requiring assistance. 	Yes
Tax Audit	
<ul style="list-style-type: none"> Refer business accounts to the Tax Audit Division when Bureau staff find reason to believe the business may be under-reporting. 	Yes
<ul style="list-style-type: none"> Use data analytics to identify risk factors that suggest increased potential for reporting non-compliance. 	Yes
<ul style="list-style-type: none"> Employ random selection methodologies to perform audits of businesses absent indicators that non-compliance may be likely. 	Yes

Source: Recommended practices reviewed included documentation related to municipal business tax agencies in the cities of Boston, Chicago, Los Angeles, New York, Philadelphia, San Diego, San Francisco, San Jose, and Seattle; as well as resources such as [Rethinking Business Tax: A Strategic Guide for Local Government Revenue Optimization](#) by HdL Companies (June 2025), retrieved January 22, 2026; [Five Easy Things You Can Do Today to Better Collect Your Revenue Tomorrow by the Office of the Washington State Auditor](#) (December 2024), retrieved January 22, 2026; and [GAO Standards for Internal Control in the Federal Government \(Green Book\)](#) by the United States Government Accountability Office (September 2014), retrieved January 22, 2026.

Below we elaborate on the Bureau's practices within each area, and the extent to which those practices are consistent with recommended practices exhibited in other municipalities.

✓ **The Bureau Did Not Establish Effective Processes to Collect on Delinquent Accounts**

Businesses may intentionally or unintentionally fail to pay business taxes before the filing deadline. The timely processing of delinquencies is essential to an effective municipal business tax program. Cities typically use a mix of administrative, financial, and legal tools to recover delinquent amounts and

promote voluntary compliance. These could include placing a lien on real property, referrals to third-party collections agencies, and legal action, as well as less punitive measures such as amnesty programs, installment agreements and payment plans, and Offers in Compromise³ for businesses facing financial hardship. Some cities require businesses to demonstrate that they are current on all tax obligations before obtaining key city services such as moving forward with building permits or entering into contracts with the city.

In the past, it appears that the Bureau had implemented an enforcement function consistent with this recommended practice. Three of the Bureau's units played key roles in this process: the Tax Compliance Division, Collections Division, and Citywide Liens Division.

The primary function of the Tax Compliance Division was to conduct research on businesses once the business tax account became delinquent. This unit verified the operational status and contact information of the business, confirming that the business remained in operation and that it was indeed non-compliant. If the business was unresponsive or failed to come into compliance within a designated period (see timing analysis below), the Tax Compliance Division determined which specialized unit took over ushering the account towards compliance. It referred, for example, rental businesses (e.g., commercial buildings and apartment complexes) to the Citywide Liens Division, cannabis businesses to the Tax Audit Division, and most other delinquencies to the Collections Division. For those account holders who were willing but unable to come into compliance, whichever unit was currently administering the delinquent account was able to offer a payment plan. These specialized downline units could not start their work on a delinquent account until the Tax Compliance Division completed their research and gave time for the business to respond. This process was designed to enable the Tax Compliance Division to forward referrals to each downline unit in batches at multiple points throughout the year.

While the Bureau's enforcement program was established in a manner generally consistent with recommended practices, it failed to execute the program as designed or in an effective manner. This audit identified two key problems with the role of the Tax Compliance Division in clearing delinquent accounts.

First, critical to the effective administration of delinquent business tax accounts is reflecting the proper status of delinquent accounts in the business tax system. The Tax Compliance Division did not do this consistently or timely. Every registered business that has failed to file and pay taxes, or close their account, by the March 1 deadline is delinquent. Of the accounts that received a "Delinquent" status in 2021,⁴ over 65 percent received that status in January, February, or March. In 2022, that amount decreased to 33 percent. In 2023, the amount decreased sharply to less than 2 percent, with over 70 percent occurring in November. In 2024, almost 57 percent of the accounts that went into "Delinquent" status in the business tax tracking software, did so in November—9 months after they were actually delinquent. Many, if not all, of these accounts should have been logged as delinquent soon after

³ A mutual agreement between the taxpayer and a government agency where a lower tax liability is accepted.

⁴ The City's revenues and expenditures are reported by fiscal year. The business tax year (and the data discussed in this and subsequent sections) is by calendar year.

March 1. Because of this, inquiries into the status of accounts or revenues anticipated to be collected could not be reliably addressed.

Further contributing to data unreliability was the inconsistent use of statuses. Based on the general process, delinquent accounts going into “Collections” status should proceed from “Renewal Sent” to “Delinquent” to “Collections.” In practice, accounts more frequently went from “Renewal Sent” to “Collections.” This is likely due to accounts that remained unpaid at year-end and had not yet been referred to the Collections Division reverting to “Renewal Sent” when renewal notices were issued in December and then not subsequently returned to a delinquent designation. Additionally, the most frequently found status prior to changing to “Collections” was different each and every year under review. Several other statuses were found to be used in one year, and then never again in subsequent years. In discussions with Bureau leadership, it was confirmed that there were no written definitions that would enable standardized use of each status and that they were applied inconsistently.

Second, the issue extended beyond data entry in the business tax information system in a timely or consistent manner. In late 2022, the Tax Compliance Division experienced an organizational shift and began reporting directly to the Revenue and Tax Administrator. At that time, according to current management, the unit’s referrals of delinquent accounts to the Collections, Citywide Liens, and Tax Audit units declined sharply in frequency and volume. As described above, the data supports this assertion. Multiple members of Bureau leadership stated that as of June 30, 2024, some delinquencies from 2020 remained unprocessed and unreferred by the Tax Compliance Division. According to Municipal Code section 5.04.240,⁵ the City has three years to commence collection actions from the date a business tax or fee becomes due. The statute is tolled while the City has no knowledge, allowing for the collection of debt more than three years old as in the case of businesses that have been in operation for a number of years, but had never registered (see in the “Business Discovery” section below for additional information).

While the Bureau’s tax information system could not accurately identify which accounts were delinquent at a given time, our analysis uncovered some of the effects caused by this failure to effectively research and refer delinquencies to appropriate units. Over the full period of this audit (July 1, 2021 to June 30, 2024) only two batches of accounts were forwarded to the Collections Division from the Tax Compliance Division, detailed below in Exhibit 5. This table shows that, in 2022, the Tax Compliance Division sent a batch of 407 accounts to the Collections Division, and these referrals related to one delinquency in 2019, 402 delinquencies in 2020, no delinquencies in 2021, and 4 delinquencies in 2022. It also shows that, in 2024, the Tax Compliance Division referred 4,187 accounts to the Collections Division, with one dating back to 2018. Ultimately, this shows that no batches were sent to Collections in 2023, and we found no record of referrals of 2021 delinquencies. In discussions with the Collections Division, it was stated that some referrals were received outside of these batches from the Tax Compliance Division; however, they totaled fewer than 100.

⁵ During the period of this review, Section 5.04.240 became Section 5.04.410 and changed the three-year established period to defer to California law, which would be California Code of Civil Procedure Section 338 which establishes a three-year period.

**EXHIBIT 5. DELINQUENT BUSINESS TAX ACCOUNTS SENT BY
TAX COMPLIANCE DIVISION TO COLLECTIONS DIVISION, BY BATCH**

License Expiration Year	Batch 1 Received in 2022		Batch 2 Received in 2024		Grand Total
	Number of Businesses	Total Balance	Number of Businesses	Total Balance	
2018			1	\$34,852	\$34,852
2019	1	\$1,614			\$1,614
2020	402	\$1,489,700			\$1,489,700
2021					
2022	4	\$4,884	1	\$1,270	\$6,154
2023			2	\$1,678	\$1,678
2024			4,144	\$13,667,845	\$13,667,845
2025			41	\$347,110	\$347,110
Grand Total	407	\$1,496,199	4,187	\$14,052,754	\$15,548,953

Sources: Auditor generated from “BT Delinquent Collection Referral 09072022.xls” & “BT Delinquent Collections 2024 Referral original.xls”

As outlined in Exhibit 2, the Tax Compliance Division was responsible to research, make contact attempts, send delinquency notices, collect supporting documents, and make other preparations before assigning the “Collections” status and referring the delinquent account to the Collections Division. All of the 407 accounts in the 2022 batch were appropriately labeled in “Collections” status. According to Bureau leadership, the vast majority of accounts forwarded in 2024’s batch had not been researched, contact attempts were not made, no notes were attached, and did not include supporting documentation. In fact, data shows that over 97 percent of the 4,187 delinquent accounts referred in 2024 were not in “Collections” status. Only 63 accounts in 2024’s batch received a “Delinquent” status at any point in 2021 through 2024—confirming the necessary research to determine true delinquency had not been performed by the Tax Compliance Division.

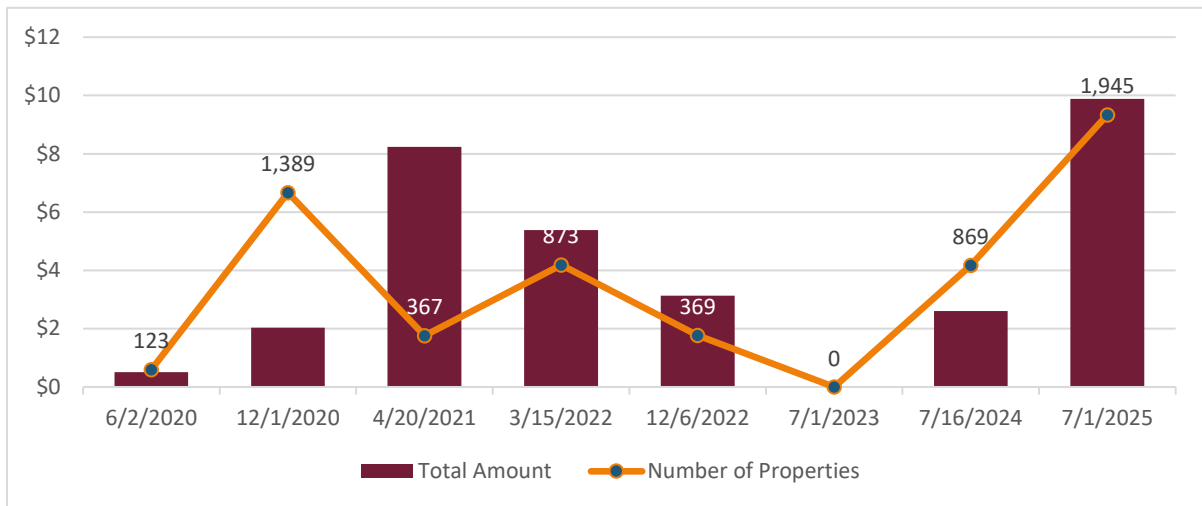
This left the Collections Division to take on tasks normally completed by the Tax Compliance Division. Under normal operation, the Collections Division processed and prepared accounts to then forward to the City Attorney’s Office (for accounts owing more than \$5,000) or Small Claims Court (for accounts owing less than \$5,000). Essentially, the package put together by the Collections Division needs to be “legal action ready.” Based on discussions with the Collections Division, once a referral is received, it is reviewed for a few days and then a collections notice is sent. The delinquent business has 30 days to respond. Should the 30 days expire without resolution, a final notice is sent. The delinquent business is given anywhere from 15 to 21 days (based on circumstances) to comply with the final notice which advises pending legal action. Should legal action be required, the earliest court dates are 6 to 7 months out. All told, the collections process once an account reaches the Collections Division is 8 to 10 months at the fastest.

As of our May 2025 interview, the Collections Division indicated it has completed the steps normally performed by the Tax Compliance Division for approximately 1,000 delinquent accounts (out of over

4,000) included in the batch received in 2024. As stated above, timeliness is essential because the statute of limitations on business taxes, fees, and penalties is three years. Further complicating the matter, the Collections Division is responsible for all collections for the City, not just the referrals for delinquent business taxes.

Similar trends were observed in the referrals to the Citywide Liens Division. The Bureau must obtain the City Council’s approval before placing liens on private property. The Tax Compliance Division prepared the information packages which the Tax Administrator would present to the City Council (or appropriate committee). Once approval is received, the Citywide Liens Division must research, prepare, and process the lien package before sending the delinquent business a notice of an impending lien, filing the lien with the County Assessor’s Office, in addition to providing the business ample time for an appeal and public hearing. As displayed in Exhibit 6 below, no lien proposals were presented to the City Council between December 6, 2022, and July 16, 2024.

EXHIBIT 6. LIENS FOR DELINQUENT BUSINESS TAX PRESENTED TO THE CITY COUNCIL IN 2020-2025 (\$ IN MILLIONS)



Sources: Auditor generated from Delinquent Business Taxes Agenda Reports presented on their respective dates

As discussed above with collections, the timely processing of liens reduces the risk of revenues becoming uncollectable due to the statute of limitations. We noted an increased proportion of liens presented to the City Council with delinquencies that were two or more years old. Forty-three out of 369 lien files (under 12 percent) presented on December 6, 2022 included tax years prior to 2021, where 188 out of 869 files (over 21 percent) presented on July 16, 2024 included tax years prior to 2023.

Additionally, the longer accounts linger in a delinquent status without notification or other collection actions, the longer penalties and interest accrue. This makes it more difficult for businesses to come into compliance, especially if the delinquency is due to lack of funds. Due to limitations of the datasets provided, our analysis was unable to determine an accurate total revenue lost by the City in uncollected debts, or the administrative costs of specialized units undertaking tasks that were to be completed by the Tax Compliance Division, or the amount of revenue deemed uncollectable due to the statute of

limitations tolling. In a given year, the Bureau could expect to refer between \$9 and \$12 million to the Collections and Citywide Liens divisions; delays in referring these accounts put this revenue at risk.

During the course of this review, the Tax Compliance Division was dissolved, and its resources were reallocated to other units within the Bureau. The Business Tax Division was given the tasks of research and allotting delinquent accounts to the appropriate specialized unit. In 2025, the Business Tax Division recalled many of the delinquent accounts that were referred to the Collections Division in 2024 to conduct further processing and alleviate workload. Recently, Bureau leadership adopted a goal that the Business Tax Division hands delinquent accounts off to the specialized units before the end of each calendar year. There are also plans to upgrade the business tax tracking software to a system that can more accurately show the amounts owed to the City at a given time. Additionally, the use of documented and consistent timing of operations and standardized terms will be instated when the new software is fully onboarded.

✓ **The Bureau Did Not Implement the Full Range of Recommended Business Discovery Practices, and Those That Were in Place Were Inconsistently Applied**

Public agencies with business tax collection systems rely heavily on self-registration and self-reporting of business activity. Business discovery refers to a set of activities cities undertake to identify businesses within their jurisdiction that should be registered to pay local business taxes but have not done so. This includes:

- Data Analytics—Obtaining information on businesses, including business names and addresses, through a variety of sources and matching that information against data in cities' business tax registration information systems. Business information is often obtained through the following sources:
 - California Franchise Tax Board⁶
 - Information obtained from other city departments, such as municipal utilities, permits (building, planning, health, alarm, etc.), fiscal records (purchase orders, contracts, or expenditures), and/or inspections (e.g., fire or code enforcement inspections).
 - Information obtained from other sources, such as fictitious business name registration at a county recorder offices, secretary of state filings, state-level professional licensing boards, short-term rental platforms, e-commerce activity, internet yellow pages, search engines, local rating and review sites, social media, and commercial data aggregators.
- Field Inspections—Cities often use staff or contracted service providers to observe business activity in-person in order to identify potentially unregistered businesses through neighborhood inspections, construction project reviews, complaint driven inspections, and other activities.

⁶ Assembly Bill (AB) 63 (2001), which added Section 19551.1 to the California Revenue and Taxation Code that authorizes the California Franchise Tax Board to enter into reciprocal data-sharing agreements with local cities, counties, or consolidated city-counties so those local entities can obtain limited state tax information.

- Public-Facing Business Tax Certificate Lookup Tools—Some cities employ business tax lookup tools that allow other city departments, members of the public, landlords, the general business community, etc., to verify whether a business is properly registered with the city. Such lookup tools create an informal business discovery source where members of the public or other city staff can report unregistered businesses.

These business discovery activities provide varied and effective methods for detecting unregistered businesses. Once potential noncompliant businesses are identified, staff initiate outreach, assessments, or other compliance actions to bring the businesses into compliance. In doing so, cities can expand their tax base, promote fairness by ensuring all businesses participate equally, and strengthen business tax collection by reducing the proportion of economic activity that goes unreported.

Our review of the Bureau’s business discovery process found that it had been engaged in some of the types of recommended discovery activities described above, such as obtaining state tax information from the Franchise Tax Board and conducting field inspections. Bureau management reported that these efforts stopped in 2023 and were being reinstated between Fall 2025 and Fall 2026. The Bureau does not reliably track tax discovery accounts in its business tax information system, and thus does not track how newly registered businesses were identified (i.e., self-reported or identified through discovery efforts). To illustrate, from January 2021 through December 2024, the system reflected only 316 accounts in a “Discovery” status. As detailed above, the use of status terms were applied inconsistently. In an effort to account for inconsistencies, we identified over 2,000 potential “discovery” accounts between July 2021 and June 2024 from a dataset of payments received. These accounts reflected a “New Application” status but were assessed for a license year earlier than the year of the new application, meaning the business was not previously registered and owed multiple years of business license taxes. Most discovered accounts were less than 10 years out of compliance; however, a few rare cases had been in operation for over 30 years.

Exhibit 7 shows a nearly 48 percent decline in newly-registered discover accounts in Fiscal Year 2024 versus the prior year.

EXHIBIT 7. BUSINESS LICENSE TAX ACCOUNT DISCOVERY, FISCAL YEARS (FY) 2022-2024

License Status		FY2022	FY2023	FY2024
Renewals		47,402	45,034	46,652
New Applications		5,113	4,147	4,061
Discovery Accounts		871	880	462
↳	1-3 Years	428	347	342
	4-10 Years	369	438	102
	11-20 Years	59	77	13
	21-30 Years	10	14	4
	31+ Years	5	4	1
Grand Total		53,413	50,061	51,175

Source: Auditor generated from data derived from the Bureau’s business tax administration system

During the course of this review, Bureau staff initiated steps to regain access to the Franchise Tax Board's AB63 program data, which was recently re-authorized. The Bureau will receive 2025 data in October 2026. Additionally, the Bureau plans to reinstate field inspections in the Summer of 2026. The use of other government and publicly available resources (including internet searches) was also increased or adopted in 2025, during the course of this performance audit.

✓ **The Bureau Did Not Implement Adequate Controls, including Segregation of Duties, to Prevent or Detect Unauthorized or Inappropriate Adjustments to Business Taxes Due**

Effective business tax administration requires structure that provides reasonable assurance that revenues are accurately assessed, payments are properly collected, all taxable businesses are identified, and tax administration activities are carried out consistently and fairly. This structure requires a robust system of internal controls. Control processes ensure accuracy in the amounts due which are calculated and recorded in the business tax information system; and in the payments received which are recorded, reconciled, and deposited. Reasonable assurance in these areas depends on segregation of duties between staff responsible for determining amounts owed, receiving payments, applying payments, reconciling accounts, and ultimately determining compliance of the business tax account holder. Further, preventing fraud or abuse in the administration of a business tax system requires that management ensure that no single employee is capable of determining the amounts owed by businesses, collecting payment from businesses, and recording the payment in the business tax information system. It also requires limiting employees' ability to modify system-calculated amounts due, which are based on business-reported gross revenues.

Staff and management throughout the Bureau have the ability to modify amounts due in the system—this is referred to as “adjustments.” The ability to make adjustments in the business tax tracking software is limited to users with adjustment rights. The need for the Bureau to enable adjustments is appropriate. For instance, because most business taxes due are based on self-reported gross receipts, enforcement actions may find inaccuracies in the amounts reported by the business. Adjustments to the gross revenues or to the amount due would be required to ensure the system accurately reflects the business's tax obligation, and doing so then triggers the system to recalculate the amount owed. New applicants and first renewals also often require adjustments because estimated gross receipts are used in lieu of actuals; those estimates are replaced by more accurate information, though it is still self-reported.

Through the business tax information system, there are multiple ways that the amount an account owes can be reduced. For instance:

- Staff have the capability in the system to modify gross revenues, as described above. This method cannot completely remove the total due, even if \$0 in gross receipts are entered, because a minimum tax (typically \$60) is assessed starting at \$0 in gross receipts. Fees, penalties, and interest can also be deselected which effectively removes them from the total. This would be used for waivers or exemptions. Similar to reducing the gross receipts, this will not eliminate the entirety of the total due because of the minimum tax.

- Another method is to use the “Adjustment” field in the business tax information system. This allows the user to enter a negative amount which reduces the total due. An entry in this space requires the entry of a text description. Through our testing, we were able to determine that the description area would accept any text entry, even a single character. This adjustment method allows for the elimination of the full amount due.

EXHIBIT 8. ADJUSTMENTS IDENTIFIED AS MANUAL ENTRIES, FISCAL YEARS 2021 THROUGH 2024

Job Title	Number of Manual Entries	Absolute Value of Adjustments
Supervisory or Management Positions		
Tax Administrator	8	\$26
Revenue Operations Supervisor	549	\$656,996
Principal Revenue Analyst	48	\$429
Revenue Supervisor	106	\$36,730
Non-Supervisory Positions		
Business Analyst	1,839	\$2,036,543
Tax Enforcement Officer	252	\$12,317
Tax Auditor	2	\$1
Revenue Assistant	5	\$45
Total	2,809	\$2,743,087

Source: Auditor generated from business tax information system data

Multiple members of the Bureau leadership stated that there was no written policy regarding either type of adjustment, but it was generally understood that only unit supervisors and other members of leadership were authorized to make adjustments—though no policy to this effect existed. Based on our review of manual adjustments made by Bureau personnel, nearly 75 percent of the manual adjustments were executed in the business tax information system by individuals below the supervisory level (see Exhibit 8). The system did not require secondary approval of the adjustments, nor did Bureau management require other documentary evidence supporting the need for the adjustment or the approval of at least two individuals, with at least one being a member of the supervisory or management team. This created an increased risk of arbitrary or fraudulent adjustments that would allow for an account to reflect a paid status without requiring the business to pay the appropriate amount due.

Through the course of this review, this issue was detailed to management. Bureau leadership acknowledged the risks we uncovered and is currently taking steps to address them, such as developing written internal controls. A draft of this policy was provided in January 2026, which included a designation of staff roles that were able to submit proposed adjustments and license status changes for supervisory approval and execution.

✓ **The Bureau Did Not Develop a Comprehensive Performance Measurement and Monitoring System**

Ensuring the Bureau's administration of its business tax program remains both effective and efficient requires that Bureau management create, track, and monitor, performance metrics, and milestones, and that these metrics and milestones are regularly monitored and reported. Potential metrics and milestones to track and monitor include:

- Overall revenue performance metrics, such as year-over-year revenue changes, year-to-date revenue collections, forecast-to-actual performance, and forecast accuracy;
- Trends in the number of new businesses registered, the types of businesses registered, the number identified through discovery efforts, the percentage of businesses renewing on time, and the proportion of revenue attributable to voluntary versus enforced compliance;
- Trends in the percentage of businesses that file required returns on time, the rate of non-filers, the number of follow-up notices issued, and the rate of response;
- Trends in audit yield, audit coverage (the percentage of the tax base reviewed), case turnaround times, and the proportion of audits resulting in adjustments;
- Trends in the delinquency rate, the amount of revenue collected from delinquent accounts, the number of payment plans established, the rate at which delinquent accounts progress through enforcement stages, and the recovery rate for accounts referred for enforcement; and
- Trends in processing timeliness and customer service, such as how quickly payments are posted, which payment method was used, how long it takes to process taxpayer inquiries, whether the inquiry and or response was electronic or in-person, and how promptly the city issues assessments, refund decisions, or payment plan approvals.

Because business tax administration involves multiple functions, such as registration, discovery, auditing, collections, and customer service; performance metrics help management determine whether each part of the system is operating efficiently and achieving intended results. The types of metrics identified above provide a high-level view of the business tax program's effectiveness, help management evaluate whether the business tax administration function supports stable and predictable revenue generation for the city, provide insight into voluntary compliance levels and indicate where additional outreach or enforcement may be needed, help assess how effectively the city secures payment of outstanding tax liabilities, measures the extent to which business tax program is responsive and supports voluntary compliance, assists in gauging staffing levels and resource allocation, and promotes transparency and accountability.

Regular monitoring of these metrics enables managers to identify risks, address weaknesses, and make informed decisions to strengthen the city's business tax revenue system. Conversely, without cross-unit performance monitoring, management may not be aware when backlogs or delays occur in specific functions, limiting timely corrective action.

In discussions with Bureau leadership regarding the time period under review, it was stated that communication between all levels of Bureau leadership declined, focus was shifted away from data and

monitoring, and units became more siloed. This lapse in communication and monitoring allowed for the deficiencies detailed above to occur and persist. Members of Bureau leadership stated that they did not know what was happening in the Tax Compliance Division. Regular meetings with the Tax Administrator all but ceased. As detailed above, certain units are dependent on other units in order to progress delinquent accounts through the collection process. By design, the specialized units worked the accounts put before them and did not proactively seek delinquent accounts. While it was normal for a week to pass without receiving a referral from the Tax Compliance Division, weeks turned into several months and longer. When concerns about the lack of referrals were raised with Bureau leadership, they were not acted upon in a timely manner. For example, correspondence reviewed during the audit reflected that only two meetings were held to address referral concerns, and communication focused on redirecting responsibility rather than establishing a coordinated resolution. Regular quantitative reporting may have enabled earlier identification and resolution of these issues.

Bureau leadership indicated that total revenue received to date was used as a common performance measure. While it serves as a helpful datapoint, it does not detail the individual contributions of each unit. Leadership cannot effectively gauge if each unit is contributing effectively to overall program performance. Further, the revenue received does not give a full picture as it can be affected by economic factors well outside of the Bureau's control and not necessarily resulting from its actions. As shown in Exhibit 3, revenues trended up, but the deficiencies detailed in this report contributed to unquantifiable amounts of uncollected revenue, increased administrative costs, and untimely actions that went unseen because the total revenue collected datapoint did not appropriately illustrate a problem.

During the course of this review, biweekly meetings with all levels of Bureau leadership to discuss projects and compare the year-to-date revenue with projections have been implemented. Additionally, it was stated that a renewed focus on data-driven decision-making has been adopted.

✓ **The Bureau's Business Tax Registration and Renewal Processes Were Generally Consistent with Recommended Practices**

The Bureau's Business Tax Division engages with businesses to ensure compliance and avoid delinquencies. The unit mails annual tax filing reminders to businesses before the beginning of each year (usually in December) and continually reviews business tax records to ensure contact information is current, which promotes the efficacy of renewal reminders. Businesses have access to an online application and payment portal, through which approximately 80 percent of businesses file their taxes online. For those that submit applications or make payments in person or through the mail, or for those businesses that need more individualized assistance, the Business Tax Division provides ongoing customer support to facilitate a smooth tax filing season.

The unit also develops and posts online important informational material for public consumption, including Frequently Asked Questions (FAQs), an application flow chart, a business tax estimation calculator, a live chat feature, and other helpful information on the City's website—some of which is also available in Spanish or Chinese.

These practices are all consistent with recommended practices employed by other cities. However, this audit identified one opportunity to improve: notices and reminders. In many cases, delinquencies are not intentional but are rather the product of busy business owners and administrators forgetting to file taxes on time. Such an oversight is costly for the business owner, as they accrue penalties and interest, and it is costly for the Bureau, as it must dedicate staff resources to research, track down businesses, and elicit payment. Leading practices suggest that expanding a message to as many channels as possible—not just email or the postal service—can improve engagement and compliance. Other cities have issued reminders and notifications through the use of social media, traditional print media, and the use of automated SMS or text messaging.⁷ Increasing the frequency of messages has also been shown to have a positive effect of reducing delinquencies. Beyond the number of reminders or the method of delivery, studies have shown that an analysis of the wording used can increase revenue and reduce the costs associated with the delinquency process.

Specifically, in a 2020 Australian study published in the *Journal of Economic Behavior & Organization*, small businesses were found to be approximately 25 percent more likely to pay delinquent taxes when they receive notices versus a control group that did not receive a notice. The study also found that the earlier a business received a reminder, the faster the payment was received. The National Bureau of Economic Research further supports the importance of sending notices and reminders in increasing compliance with their study of Philadelphia property tax collection. The *National Tax Journal* published a study of the Colorado Department of Revenue that suggested an analysis of the wording used in notices can improve timely filing and increase tax revenue.

According to Bureau management, the Bureau has recently started to expand its communications to the public through Public Service Announcements and billboards. The Public Service Announcement details the diverse services provided by the Bureau including in-person assistance; online application and payment kiosks; and methods to address liens, payment plans, and other delinquencies. The billboards provide reminders of the business license renewal period, the availability of payment plans, and a QR code to the Bureau's website. They will be placed along the freeway and inside transit stations. Additional plans include mailers to property owners informing them that renting space is a business activity that may require registration. As of January 2026, several of these communication methods are in the planning stage and have yet to be released.

✓ **The Bureau's Tax Audit and Revenue Verification Were Generally Consistent with Recommended Practices**

Audit and revenue verification are a core component of municipal tax administration and can include a combination of desk reviews and fieldwork to identify underreporting or non-filing businesses. Because business tax systems rely heavily on self-reported information, cities use audit programs to assess whether taxpayers accurately report revenue and comply with applicable tax requirements. In determining which businesses to audit, cities typically use three methods:

⁷ Review the Telephone Consumer Protection Act 47 United States Code Section 227 prior to implementing the use of SMS or text messaging.

- a) Referrals from staff within the business tax division when those staff find reason to believe the business may be under-reporting;
- b) Use of data analytics—often involving historical trends, industry information, federal and state tax filing data, third-party information, and other screening tools to identify discrepancies between reported and actual business activity—leading to the identification of risk factors that suggest increased potential for reporting non-compliance; and
- c) Employment of random selection methodologies to perform audits of businesses absent indicators that non-compliance may be likely.

Risk-based approaches—including assigning audit resources based on risk factors such as industry characteristics, filing behavior, and past compliance history—are more likely to result in increased revenue and collections-to-cost ratios above 1.0—meaning the audit function produces more revenue than it costs to operate. Field audits further validate whether operations, records, and cash-handling practices align with reported taxable activity.

Audit and revenue verification processes can also identify unregistered businesses. During the review of financial statements, contractor payments, business licenses, or site visits, auditors often discover related entities or subcontractors that perform taxable business activities, but do not appear in cities' registration records. Through these efforts, audit and revenue verification not only ensures accurate assessment of taxes owed, but also expands the city's knowledge of its business tax base.

Overall, this performance audit found that the Bureau's tax audit function performs in a manner consistent with recommended practices. As described in the introduction, the Bureau's Tax Audit Division reviews various tax payments for discrepancies and conducts more detailed investigations when warranted. The Tax Audit Division receives referrals from other units within the Bureau throughout the year when staff identify indicators that a business may be under-reporting revenues. In addition to relying on referrals for audit, the Tax Audit Division conducts random sampling to select other business tax accounts for audit. The Tax Audit Division also hires professional audit firms to conduct audits related to specific revenue streams, such as Transient Occupancy Tax and Utility Users Tax. According to management, contracts with external audit firms expired in 2024 and management will be evaluating whether to employ a similar approach in the future. While available audit resources often determine how many audits can be completed annually, recommended practice is to ensure broad audit coverage, utilizing a risk-based approach, across industries and revenue streams.

Recommendations

To correct the problems identified in this report, Bureau management should:

1. Develop and implement policies and procedures memorializing expectations, practices, and goals to ensure continuity over time.
2. Develop standardized definitions and enforce consistent use of account status codes in a manner that enables the Bureau to identify and report on the status of business tax accounts on a periodic and ad hoc basis.
3. Develop and implement business processes to timely identify and refer delinquent accounts for enforcement action, including both punitive and non-punitive measures, at intervals no later than quarterly. This should include the:
 - Timely identification of delinquent businesses and regular referral of delinquencies to internal or external enforcement units (e.g., collections agencies, Citywide Liens Division, City Attorney's Office);
 - Use of punitive (i.e., legal action) and non-punitive (e.g., payment plans, amnesty programs) programs to encourage non-compliant businesses to pay outstanding taxes; and
 - Establishment of procedures for enforcement units to report lapses in referrals to the Director of Finance.
4. Reinstitute business tax discovery efforts, including data analytics utilizing California Franchise Tax Board information, information obtained from other City departments, and information obtained from state, county, and other sources; field inspections; and public-facing business tax certificate lookup tools.
5. Develop and implement written protocols to ensure that no single individual is capable of modifying business tax records, including amounts due, undetected. This should include:
 - Establishing policies and procedures requiring at least two employees, one of which is at the supervisory level (or management level depending on dollar threshold), approve all adjustments and that the purpose of the adjustment be fully documented; and
 - Implementing system controls to prevent a single individual from adjusting amounts due without secondary approval and reviewing processes to detect instances in which such adjustments were made.
6. Consider, as the Bureau upgrades its existing business tax information system, incorporating system controls and functionality that enhances internal controls, ensures segregation of duties, automates account status tracking and management reporting, standardizes workflows, and enhances customer relations management.
7. Develop, track, and report performance metrics that illustrate the overall efficiency and effectiveness of the business tax collection program, including:

- Overall revenue performance metrics, such as year-over-year revenue changes, year-to-date revenue collections, forecast-to-actual performance, and forecast accuracy;
 - Trends in the number of new businesses registered, types of businesses registered, number identified through discovery efforts, percentage of businesses renewing on time, and the proportion of revenue attributable to voluntary versus enforced compliance;
 - Trends in the percentage of businesses that file required returns on time, rate of non-filers, number of follow-up notices issued, and the rate of response;
 - Trends in audit yield, audit coverage (the percentage of the tax base reviewed), case turnaround times, and the proportion of audits resulting in adjustments;
 - Trends in the delinquency rate, amount of revenue collected from delinquent accounts, number of payment plans established, rate at which delinquent accounts progress through enforcement stages, and the recovery rate for accounts referred for enforcement; and
 - Trends in processing timeliness and customer service, such as how quickly payments are posted, which payment method was used, how long it takes to process taxpayer inquiries, whether the inquiry and or response was electronic or in-person, and how promptly the City issues assessments, refund decisions, or payment plan approvals.
8. Develop, track, and report milestones for key activities regularly to the Director of Finance or appropriate Council committee (e.g., identification of delinquent accounts, referrals of accounts to enforcement units, dates of batch notifications, etc.) to ensure business processes occur as required and intended.
9. Expand communication efforts with the public to provide information on business taxes (e.g., registration, renewal dates, payment methods, etc.). Evaluate the language used in reminders and notifications. Examine the communication channels and methods used. Monitor the effectiveness of the timing and frequency of communications.
10. Continue business tax audit activities to ensure consistency with leading or recommended practices, including:
- Providing a channel to receive referrals from City staff when they have reason to believe a business may be under-reporting;
 - Use of data analytics—often involving historical trends, industry information, federal and state tax filing data, third-party information, and other screening tools to identify discrepancies between reported and actual business activity—leading to the identification of risk factors that suggest increased potential for reporting non-compliance; and
 - Employing random selection methodologies to perform audits of businesses absent indicators that non-compliance may be likely.

Appendix A. Audit Scope and Methodology

Oakland's (City) Office of the City Auditor hired Sjoberg Evashenk Consulting, Inc. to perform an audit of the City's Revenue Management Bureau. The objectives of the audit were to (a) determine if the Bureau is collecting all revenue that is due and has the necessary systems in place to ensure the accurate and timely billing and collection of applicable City taxes and fees, and (b) identify how the Bureau could increase collection of City taxes and revenues. The audit scope includes the City's business tax collection activities during the period July 1, 2021, through June 30, 2024 (Business taxes are collected on a calendar year basis). To meet the audit objectives, we:

- Obtained and reviewed relevant background information, including organizational charts; the City's business tax code, laws and regulations; policies and procedures regarding business tax and related fee collection; business tax and related fee collections between July 1, 2021 and June 30, 2024; reports to City Council on business tax and related fee collections; and prior studies and audits related to tax collection.
- Conducted interviews with Revenue Management Bureau management and supervisory team, including the heads of organizational units. We also met with key representatives of the Bureau's tax information system vendor.
- Conducted a benchmarking review of business tax revenue collection activities of 10 public agencies to gain an understanding of common or leading practices in the administration and collection of municipal business taxes. This includes the following cities: New York City, New York; Chicago, Illinois; Philadelphia, Pennsylvania; Boston, Massachusetts; Phoenix, Arizona; and Seattle, Washington; and other large cities in California, such as Los Angeles, San Diego, San Francisco, and San Jose. We also evaluated performance audit reports, best practices reports, academic and industry studies, and other materials highlighting recommended practices in the administration of municipal business taxes.
- Conducted data analysis utilizing several data sets produced by the City's business tax software. Datasets included payments made in Fiscal Years 2021-2024 (with some limited data for business licenses expiring in Fiscal Year 2025), automatic and manual adjustments with description details, referral batches to the Tax Collections Division, and data found in publicly available sources such as reports published by the City. Analyses included determining the total revenues from various taxes, fees, and penalties; the nature of adjustments; timing of payments and notices; the effects of tax rate changes; validating information gained in interviews; and generating chart and tables for use in this report.

Audit fieldwork was performed between May and November 2025. On January 27, 2026, a draft of this report was provided to Bureau management for review and discussion, and an exit conference was held with management on February 3, 2026. Bureau management generally agreed with the conclusions presented in this report, and responses and feedback provided by management were considered and incorporated where applicable in the final report. Management's response to the audit recommendations is presented in **Appendix B** of this report.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

Appendix B. Management's Response

On January 27, 2026, a draft of this report was provided to Bureau management for review and discussion, and an exit conference was held with management on February 3, 2026. Bureau management generally agreed with the conclusions presented in this report, and responses and feedback provided by management were considered and incorporated where applicable in the final report. Management's response is included in the following pages.

City Administration's Response

We presented the audit's findings, conclusions, and recommendations to the City Administration, including staff from the Finance Department. The Administration indicated they generally agreed with the report's findings and recommendations and their written response is forthcoming.



CITY AUDITOR

Michael C. Houston, MPP, CIA

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