



CITY of RICHMOND
City Auditor's Office

DATE: April 25, 2023

TO: Lincoln Saunders
Chief Administrative Officer

FROM: Louis Lassiter *LL*
City Auditor

SUBJECT: Finance – Meals Tax Processing and Collections audit

The City Auditor's Office has completed the Meals Tax Processing and Collections audit and the final report is attached.

We would like to thank the Finance staff for their cooperation and assistance during this audit.

Attachment

cc: The Richmond Audit Committee
The Richmond City Council
Sabrina Joy-Hogg, DCAO of Finance & Administration
Sheila White, Director of Finance

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City of

RICHMOND

Office of the City Auditor

Audit Report# 2023-12

Department of Finance

Meals Tax Processing and Collections

April 25, 2023



Audit Report Staff

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Highlights

Audit Report to the Audit Committee, City Council, and the Administration

Why We Did This Audit

The Office of the City Auditor conducted this audit as part of the FY23 audit plan approved by the Audit Committee. The objective for this audit was to evaluate the controls, compliance, and monitoring of meals tax revenues.

What We Recommend:

We recommend the Director of Finance:

- *Ensure statutory assessments are conducted in accordance with Sec. 26-435 of the City Code and evaluate current practices and use of staff to manage non-filing businesses to increase tax enforcement efforts.*
- *Develop and implement a plan to review and remove closed businesses from the Non-filers Report.*
- *Implement a process to evaluate the completeness of the database of establishments that should be paying meals taxes through continued canvassing, collaboration with internal City Departments, and use of data from third parties.*
- *Develop and implement a process to:*
 - *Confirm that businesses have discontinued selling prepared foods and/or closed and documented accurately in MUNIS (City's Revenue System).*
 - *Conduct follow-up visits to ensure that businesses have not restarted selling prepared foods and/or reopened.*

Other recommendations to improve internal controls are included in the report.



Meal Tax Processing and Collections

Background

Meals tax is a self-reported consumer (trust) tax paid for prepared foods and beverages. The City's meal tax rate is 7.5%, which became effective on July 1, 2018. Food establishments (i.e., restaurants, convenience stores, movie theaters, food trucks, grocery stores, etc.) are required to collect and remit these taxes to the City of Richmond by the 20th day of the month following when taxes were collected or should have been collected from the consumers. If the 20th falls on a weekend or City holiday, taxes are due on the next business day. Approximately \$46 million in meals taxes were collected in FY 2022. Tax proceeds are one of the primary sources of revenue for the City's General Fund.

Commendation

- The meals tax, interest, penalty, and seller's commission rates were correctly set up in the revenue system.
- The billing cycle was properly coded in the revenue system to ensure that meals tax due dates were adjusted to the next business day if the 20th fell on a weekend or City holiday.
- The Department of Finance offers businesses several options to remit meals tax payments to the City (mail, in-person, & on-line).

Needs Improvement

Finding #1 – Statutory Assessments - There were 454 businesses with unfiled Admissions, Lodging, and Meals (ALM) taxes for at least one month during FY2022. Approximately 59% of these businesses have six or more unfiled periods. Only 22% of them were contacted by tax enforcement, audit, or delinquent collections staff at some point in FY2022, which may or may not have been related to non-filing status. Statutory assessments, as required by City Code, were not conducted for the non-filers. Assessments were suspended during the onset of the pandemic in early 2020 and have not resumed as of January 2023. Prior to the pandemic, 529 meals tax statutory assessments were completed between June 2019 and March 2020, allowing the City to levy taxes totaling approximately \$2 Million for non-filers. The City's window for completing assessments for Calendar Year (CY) 2020 is ending soon.

Finding #2 – Meals Tax Remittance - The auditor reviewed a sample of 127 businesses and found that approximately 80% remitted meals taxes to the City. However, approximately 10% of the businesses did not remit meals taxes to the City, of which 3% were not on the Non-filers Report. As such, the City was not anticipating meals taxes from these businesses. The auditors visited the four businesses and confirmed they were selling prepared foods subject to meals tax collections. The City is losing out on potential meals tax revenue. While the amount of revenue lost is difficult to quantify, if our non-statistical sample is reflective of the population, it could be in excess of \$1.5 million annually.

Finding #3 – Reconciliation of Account Balances - The Department of Finance implemented a process to send account information to businesses in June 2022. Prior to that, businesses were only notified of outstanding balances if selected for a tax audit, when tax enforcement or delinquent collection efforts were initiated, or they requested an account reconciliation. However, the accounts are not reconciled timely; therefore, incomplete information may be provided. This has resulted in an increase in requests for account reconciliations according to revenue administration staff.

Management concurred with **7 of 7** recommendations. We appreciate the cooperation received from management and staff while conducting this audit.

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BACKGROUND, OBJECTIVES, SCOPE, METHODOLOGY, MANAGEMENT RESPONSIBILITY and INTERNAL CONTROLS

This audit was conducted in accordance with the Generally Accepted Government Auditing Standards promulgated by the Comptroller General of the United States. 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 the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

BACKGROUND

Assessment, Collection and Remittance Process

Meals tax is a self-reported (trust) consumer tax paid for prepared foods and beverages¹. The City's meal tax rate is 7.5%, which became effective on July 1, 2018². Food establishments (i.e., restaurants, convenience stores, movie theaters, food trucks, grocery stores, etc.) are required to collect and remit³ these taxes to the City of Richmond by the 20th day of the month following when taxes were collected or should have been collected from the consumers. For example, meals taxes collected in January are due by February 20th. If the 20th falls on a weekend or City holiday, taxes are due on the next business day. Returns must be filed even if taxes are not due. Food establishments are awarded a 3% seller's commission for collecting, reporting, and remitting the taxes in full by the due date. Establishments are not eligible for the commission if they fail to report and remit taxes for prior months or have delinquent balances.

¹ Several food and beverage purchases are exempted from meals tax, such as factory-prepackaged candy, beverages in factory-sealed containers, or food and beverages provided by daycares or schools to their students as a part of a tuition or meal plan.

² The meals tax rate was increased from 6% to 7.5% to provide additional funding for renovating and replacing Richmond Public School facilities. The Director of Finance is required to credit 20.3% of the collected meals taxes to a special reserve.

³ Reporting and payment can be mailed in, paid in person, or processed online.

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Meals Tax Revenue

Approximately \$46 million in meals taxes were collected in FY2022. Below is a five-year trend of meals tax collections in comparison to the City's total general government tax collections for FY2018 – FY2022.

Fiscal Year	Prepared Food Tax	Total General Government Tax Revenue
2018	\$ 36,948,484	\$ 478,743,768
2019	\$ 45,740,073	\$ 517,551,869
2020	\$ 38,099,329	\$ 538,213,101
2021	\$ 37,018,912	\$ 545,617,448
2022	\$ 45,762,510	\$ 602,055,396

Auditor Prepared Table using the City of Richmond 2022 Annual Comprehensive Financial Report (ACFR)

Tax proceeds are one of the primary sources of revenue for the City's General Fund. The City's meals tax revenue per capita was \$167.96 and \$163.36 in FY2020 and FY2021, respectively. After normalizing the per capita by the assessed meals tax rate, the City's meals tax revenue per capita was comparable to other Virginia localities with annual meals tax revenue of \$10 million or more.

Locality	Meal Tax Rate	FY2020 Normalized Per Capita	FY2021 Normalized Per Capita
Suffolk	6.5%	\$17.63	\$18.40
Newport News	7.5%	\$18.59	\$20.00
Henrico	4.0%	\$20.77	\$20.52
Richmond	7.5%	\$22.39	\$21.78
Chesapeake	5.5%	\$19.83	\$21.86
Hampton	7.5%	\$21.16	\$22.47
Norfolk	6.5%	\$22.15	\$23.52
Virginia Beach	5.5%	\$24.33	\$25.95
Alexandria	5.0%	\$24.84	\$27.51
Arlington	4.0%	\$33.84	\$28.01
Lynchburg	6.5%	\$25.72	\$29.03
Roanoke	5.5%	\$28.45	\$29.05
Harrisonburg	7.0%	\$33.41	\$34.58
Charlottesville	6.0%	\$42.70	\$36.02
Fredericksburg	6.0%	\$60.84	\$66.70

Auditor Prepared Table using the Auditor of Public Accounts (APA) FY2020 and FY2021 Original Comparative Report of Local Government

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The localities identified as outliers, such as Fredericksburg, Charlottesville, and Harrisonburg, have much smaller populations and impacts on meal tax revenue from factors such as tourism and large universities.

Failure to File and Remit Taxes

The meals tax is a trust tax that is collected on behalf of the City of Richmond. Penalty and interest are assessed for returns and payments remitted after the due date. A ten percent (10%) penalty is applied and a simple interest rate of 10% annually is applied for each day late. Failure to file and remit the meals taxes is a Class 1 Misdemeanor, which is punishable by up to one year in prison and/or a \$2,500 fine and may result in a criminal summons, business license denial, and delinquent collection efforts, including tax liens.

Objective

Evaluate the controls, compliance, and monitoring of meals tax revenues.

SCOPE

The scope of this audit included meals tax remittance and enforcement activities for the 12 months ending June 30, 2022, and the current environment.

METHODOLOGY

The auditors performed the following procedures to complete this audit:

- Conducted walkthroughs, reviewed Revenue Administration policies and procedures, and reviewed City and State Codes to gain an understanding of the meals tax requirements, including reporting, collections, and enforcement processes and procedures.

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- Obtained a listing of businesses that did not file (non-filers) ALM⁴ taxes during FY 2022.
 - Selected a sample of 25 businesses that were identified as non-filers for more than six months and searched the internet and called the businesses to determine if they were open or closed.
- Analyzed tax enforcement, tax audit, and delinquent collection efforts to determine if the ALM non-filers were contacted/visited anytime during FY2022.
- Compiled an independent listing of establishments that were subject to collecting and remitting meals taxes to the City using the inspection data from the Virginia Department of Health and the alcohol license data from the Virginia Alcohol Beverage Control (VABC) and selected a sample of 127 businesses, using the below criteria, to determine if they remitted meals taxes to the City or were captured on the Non-filers Report if not remitting taxes. (See Appendix A for the population and sample selection maps)
 - Randomly selected 100 businesses, from the Health Department data, weighted proportionately to the population in each City Council District.
 - Judgmentally selected 27 (3 from each district) businesses based on establishment type (i.e., convenience store, local shop, or grocery stores, from the VABC data.
- Conducted walkthroughs to understand how delinquent balances were communicated to businesses during the audit scope and gain an understanding of the partial payment letter process that was implemented in June 2022.

MANAGEMENT RESPONSIBILITY

City of Richmond management is responsible for ensuring resources are managed properly and used in compliance with laws and regulations; programs are achieving their objectives; and services are being provided efficiently, effectively, and economically.

⁴ The Non-filer Report cannot be drilled down to meals tax only. As such, analysis was conducted on ALM.

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INTERNAL CONTROLS

According to the Government Auditing Standards, internal control, in the broadest sense, encompasses the agency's plan, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes systems for measuring, reporting, and monitoring program performance. An effective control structure provides reasonable assurance regarding:

- Efficiency and effectiveness of operations;
- Accurate financial reporting; and
- Compliance with laws and regulations.

Based on the audit test work, the auditors concluded that the internal controls over meals tax processing and collections, as well as accurate and timely communication, need improvement.

FINDINGS and RECOMMENDATIONS

What Works Well

- The correct meals tax, interest, penalty, and seller's commission rates were set up in the revenue system.
- The billing cycle was properly coded in the revenue system to ensure that meals tax due dates were adjusted to the next business day when the 20th fell on a weekend or City holiday.
- The Department of Finance offers businesses several options to report and remit meals tax payments to the City (mail, in-person, & online).

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What Needs Improvement

Finding #1 – Statutory Assessments for Non-filers

Condition:

There were 454⁵ businesses with unfiled ALM taxes for at least one month during FY2022. Approximately 59% of these businesses have six or more unfiled periods. Only 22% of them were contacted by tax enforcement, audit, or delinquent collections staff at some point in FY2022, which may or may not have been related to non-filing status.

Statutory assessments, as required by City Code, were not conducted for the non-filers. The assessments were suspended during the onset of the pandemic in early 2020 and have not been resumed as of January 2023. In accordance with Virginia Code Section §58.1-3903, statutory assessments can only be completed for three preceding tax years. As such, the City's window for completing the assessments for the Calendar Year 2020 is sun setting.

Prior to the pandemic, 529 meals tax statutory assessments were completed between June 2019 and March 2020, allowing the City to levy taxes totaling approximately **\$2 Million** for non-filers. Below is a breakdown of the meals tax assessments.

Period	No. of ALM Accounts	No. of Meals Tax	Meals Tax Levy
	Reviewed	Assessments	Amount
Jan-April 2019	401	173	\$ 858,362
May-Sept 2019	390	120	\$ 565,482
Oct 2019	344	95	\$ 159,909
Nov 2019	379	76	\$ 311,047
Dec 2019	352	65	\$ 129,045
Total	1,866	529	\$ 2,023,845

Auditor Prepared Table using Statutory Assessment Data Provided by the Department of Finance

⁵ As of Non-Filer report run date of January 25, 2023.

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In reviewing tax enforcement activity, the auditor noted that the non-filing information may contain inaccuracies as closed businesses may not be identified promptly and recorded as such in the revenue system. The auditors researched a sample of 25 of these non-filing businesses and found that 17 appeared to be closed based on information such as internet searches and inactive telephone numbers.

Criteria:

In accordance with City Code §26-435, when a business fails or refuses to collect meals taxes and remit them to the City, the Finance Department shall complete a statutory assessment to estimate the meals tax due. Once the department has assessed the tax amount due, the business is considered delinquent and should be notified by mail, at the last known address, of taxes plus penalties and interest that are due. The business then has ten days from the date of notice to make payment. State Code §58.1-3903 allows for the Finance Department to assess taxes that have not been paid for a three-year period after the applicable tax year.

Finance Department's policies and procedures establish expectations to identify businesses that fail to file taxes. These procedures include notifying businesses of non-compliance, and levying taxes due, including statutory assessments.

Businesses are required to notify the City of closures. Also, the Tax Enforcement Officers identify closed businesses during canvassing. The closed businesses are updated as such in the revenue system.

Causes:

Mass statutory assessments were suspended during the pandemic and the intent was to resume once the pandemic was over. However, staff levels have declined and the funding for some positions was frozen. Currently, there are only two auditors to handle the workload of issuing massive statutory assessments and providing the expected level of customer service to businesses. Also, the auditors are required to research and validate account balance credits and complete

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account reconciliations, including contested balances. Revenue staffing shortages limit the number and type of actions staff can complete to obtain business compliance and ensure the revenue system has accurate data to successfully manage non-filing businesses.

Effect:

The City may have lost substantial revenues as businesses resumed operation throughout the COVID-19 pandemic. The City’s timeframe for conducting the statutory assessments for Calendar Year 2020 is ending soon. Also, due to the limited enforcement efforts, businesses that have closed and failed to notify the City may still be captured on the Non-filers Report.

Recommendations:

- 1) We recommend the Director of Finance ensure statutory assessments are conducted in accordance with Sec. 26-435 of the City Code and evaluate current practices and use of staff to manage non-filing businesses to increase tax enforcement efforts.*
- 2) We recommend the Director of Finance develop and implement a plan to review and remove closed businesses from the Non-filers Report.*

Finding #2 – Meals Tax Remittance

Condition:

The auditor reviewed a sample of 127 businesses within the City and found that approximately **80%** were remitting meals taxes to the City. However, approximately **10%** did not remit the required meals taxes to the City and of those, **3%** were not on the Non-filers Report.

<i>Category</i>	<i>Number of Businesses</i>	<i>Percent of Sample</i>
Remitting Meals Taxes	102	80%
Not Required to Remit Meals Taxes¹	8	6%
Not Remitting Meals Taxes and on the Non-filers Report	9	7%
Not Remitting Meals Taxes and not on the Non-filers Report	4	3%
Unable to Conclude	4	3%

¹ *Businesses are either non-profits or it was determined after a site visit that these businesses did not sell prepared food.*

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Of the four businesses not remitting meals taxes and not on the Non-filers Report, the following was noted:

- **1 business** – The establishment has not reported meals taxes since July 2020. The ALM account was deactivated in the revenue system on 4/12/2021, which is why this business is not captured on the non-filer listing. However, the auditor visited the location and noted that the store sells limited prepared foods. The auditor made a purchase and was not charged meals taxes.
- **1 business** – Meals tax reporting stopped after April 2022. Per the revenue system notes, the business stopped selling prepared foods, and the ALM account was deactivated on 6/16/22. The auditor visited the site and noted that the establishment sells a limited selection of prepared foods. The auditor made a purchase and was not charged meal taxes.
- **1 business** – There is no evidence that this establishment has ever remitted meals taxes. Per the revenue system, the ALM account was deactivated on 4/12/2021. The auditor visited the location, purchased prepared food, and was charged a fee of 12%, which appears to include the City's previous meals tax rate.
- **1 business** – The business was closed in the revenue system on 7/13/2021 and the license is noted as inactive. The auditor visited the location, and the establishment is operating and selling prepared foods.

The auditor was unable to readily identify business licenses in the revenue system for four of the reviewed food establishments identified from the Health Department data. Therefore, these food establishments may be operating within the City and not remitting meals taxes or other required taxes.

Criteria:

Per City Code Section 26-669-670(a), the City imposes and levies a 7.5 percent tax on prepared foods and beverages. Food establishments are required to collect and remit these taxes to the

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City of Richmond by the 20th day of the month following when taxes were collected or should have been collected from the consumers. If the 20th falls on a weekend or City holiday, taxes are due the next business day. Returns must be filed even if taxes are not due. Businesses that do not report meals taxes are captured on the Non-filers Report.

Causes:

- Meals taxes are self-reported by the establishments and the City has had limited enforcement activities which were further strained by staffing shortages.
- The City did not obtain confirmation that businesses discontinued selling prepared food and/or identified when they restarted.
- Currently, there is no collaboration with the Health Department or other third-party entities to evaluate the completeness of the database of establishments that should be collecting and remitting meals taxes to the City.

Effect:

The City is losing out on potential meals tax revenue. While the amount of revenue lost is difficult to quantify, if our non-statistical sample is reflective of the population, it could be as high as or in excess of \$1.5 million annually. The potential lost revenue only captures the projections from our sample for the four businesses that are not reporting and does not include assessments from the Non-filers Report.

Recommendations:

- 3) We recommend the Director of Finance implement a process to evaluate the completeness of the database of establishments that should be paying meals taxes through continued canvassing, collaboration with internal City Departments and the use of data from third parties such as the Health Department and VABC.*
- 4) We recommend the Director of Finance develop and implement a process to:*
 - o Confirm that businesses have discontinued selling prepared foods and/or closed and documented accurately in MUNIS (revenue system).*

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- *Conduct follow-up visits to ensure that businesses have not restarted selling prepared foods and/or reopened.*
- 5) *We recommend the Director of Finance fill open Revenue Administration positions (funded and unfunded).*
- 6) *We recommend the Director of Finance follow up on the businesses identified in the audit and collect meals taxes due.*

Finding #3 – Reconciliation of Account Balances

Condition:

The Department of Finance implemented a process to send account information to businesses in June 2022. Prior to that, businesses were only notified of outstanding balances if selected for a tax audit, when tax enforcement or delinquent collection efforts were initiated, or they requested an account reconciliation. As such, businesses may not have been aware of delinquent account balances and accounts were not often reconciled.

Weekly partial payment letters are mailed to businesses that remit payments that are insufficient to cover the total taxes due. The first batch of letters was mailed in July 2022. Between July 12, 2022, and December 19, 2022, approximately 1,500 letters were sent to 491 businesses. The letter includes the applied payment amount, remaining account balance, and notification that payment was applied to the most delinquent tax year(s) first. The letter further indicates that:

- balances may not reflect the total amount due if there are unfiled periods;
- additional penalty, interest, and fees will be assessed for subsequent payments if there is an outstanding balance; and
- seller's commission will not be granted for subsequent meal tax payments.

While this process provides information to business owners, accounts are not reconciled timely; therefore, incomplete information may be provided. Additionally, business owners are not provided with balance details, such as tax periods, tax types, penalties, and interest amounts.

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Criteria:

Government accounting standards require timely reconciliation of accounts to promote accurate financial statements. In addition, timely receipt of receivables is critical to the cash flow, treasury function, and performance of City Government.

Causes:

Due to the revenue system limitations and concerns regarding the accuracy of the data, staff are not able to readily provide businesses with a current account balance. The Revenue Administration Division staff are required to reconcile the accounts and calculate an account balance manually.

Effects:

Without providing timely and accurate reconciliation regarding tax account balances, the City may not be collecting correct tax revenues promptly. In addition, citizens may need additional information resulting in additional requests for account reconciliations leading to additional work for staff.

The auditor observed that approximately 75% of the businesses assigned to the Tax Audit and Enforcement and Delinquent Collections staff for account reconciliations (payment allocations) received at least one partial payment letter between July and December 2022. This may be an indication that unreconciled information was provided to businesses in partial payment letters leading to requests for account reviews.

Per the Revenue Administration staff, the increase in requests for account reconciliations has impacted their ability to conduct their normal duties. As such, this process does not appear to be tenable with current Revenue staffing levels to achieve the tax audit, enforcement, and collection objectives of the department.

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Recommendation:

- 7) *We recommend the Director of Finance develop and implement a plan to reconcile the meals tax accounts timely to achieve the performance collection goals of the City and promote accurate and reconciled information in the partial payment letters.*

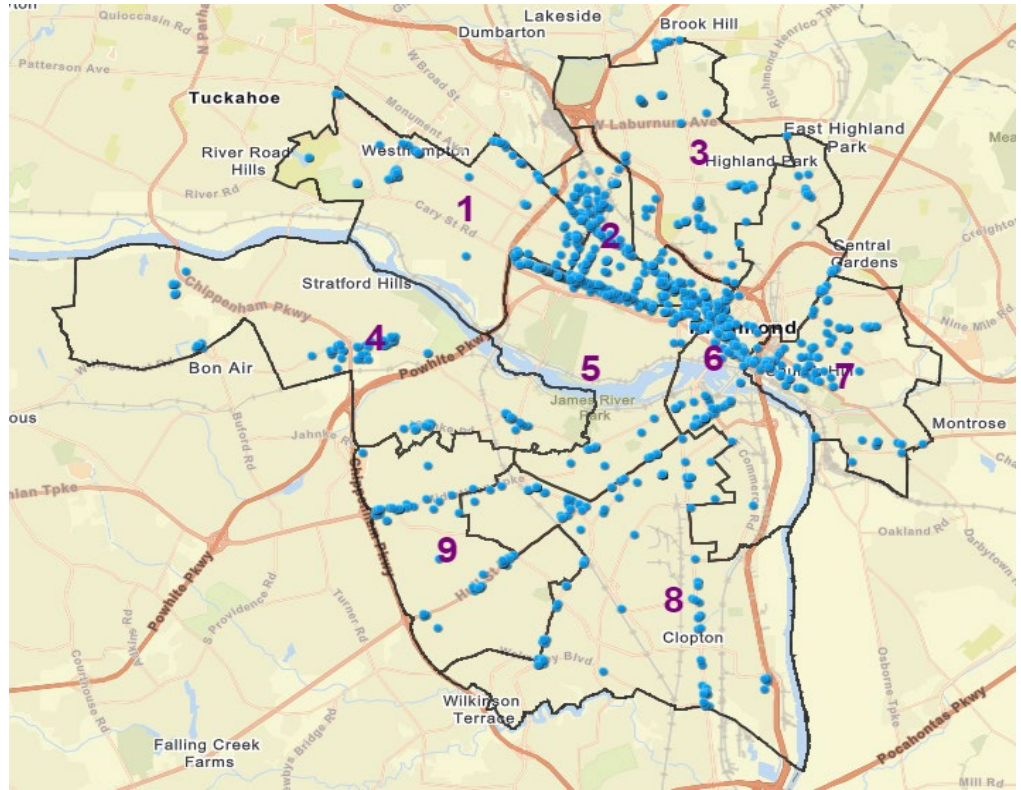
(Note) A recommendation regarding obtaining a new revenue management system is currently open from the prior audit "Delinquent Collections & Cash Operations Units" (2018-09). As such, a new recommendation will not be issued.

Health Department & Virginia Alcoholic Beverage Control Authority Data

Legend

Health Department & VABC Data

CouncilMaps

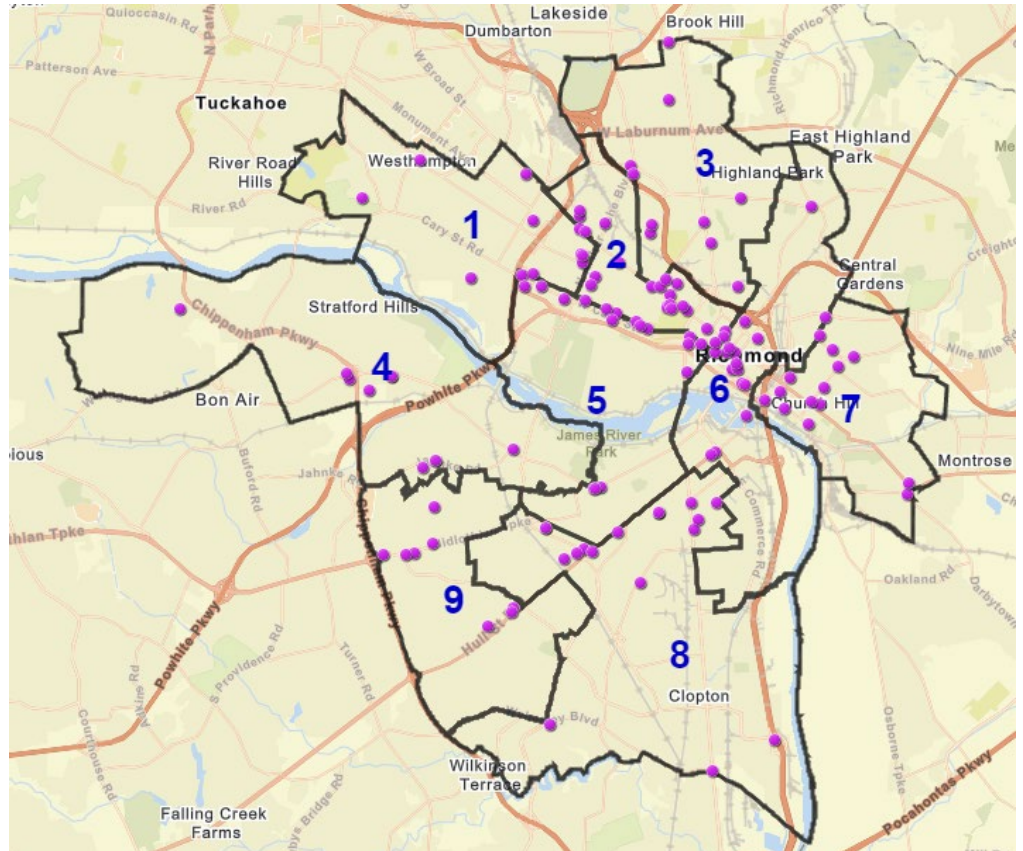


Sample Data

Legend

Sample Data

CouncilMaps



Auditor prepared both maps using ArcGIS.

APPENDIX B: MANAGEMENT RESPONSE FORM

2023-12 Meals Tax Processing and Collections audit

#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
1	We recommend the Director of Finance ensure statutory assessments are conducted in accordance with Sec. 26-435 of the City Code and evaluate current practices and use of staff to manage non-filing businesses to increase tax enforcement efforts.	Y	We concur with the recommendation. We will review the standard operating procedure to evaluate compliance with the entirety of Sec. 26-435. Additionally, we will develop key performance metrics to evaluate the efficacy of the processes and procedures.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Finance		30-Jun-24
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
2	We recommend the Director of Finance develop and implement a plan to review and remove closed businesses from the Non-filers Report.	Y	We concur with the intention of the recommendation which is the Revenue Administration should contain an accurate record of non-filers. As part of the Statutory Assessment Process to be implemented from recommendation #1, the procedure will include timely updates to the report.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Finance		30-Jun-24
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
3	We recommend the Director of Finance implement a process to evaluate the completeness of the database of establishments that should be paying meals taxes through continued canvassing, collaboration with internal City Departments and the use of data from third parties such as the Health Department and VABC.	Y	We concur with the spirit of the recommendation which is to use external sources to evaluate the completeness of the business filing population. We do not believe it is prudent to develop a separate reporting database to capture these results. Rather, we will develop a procedure to require periodic review of external sources to identify unfiled businesses. The unfiled business will be added to the Revenue Administration system as part of the Statutory Assessment Process to be implemented with recommendation #1.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Finance		30-Jun-24
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION

APPENDIX B: MANAGEMENT RESPONSE FORM

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4	<p>We recommend the Director of Finance develop and implement a process to:</p> <ul style="list-style-type: none"> o Confirm that businesses have discontinued selling prepared foods and/or closed and documented accurately in MUNIS (revenue system). o Conduct follow-up visits to ensure that businesses have not restarted selling prepared foods and/or reopened. 	Y	<p>We concur with the recommendation. We will modify our tax audit and enforcement procedures to determine the representative sample size to test for confirmation.</p>
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Finance		30-Jun-24
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
5	<p>We recommend the Director of Finance fill open Revenue Administration positions (funded and unfunded).</p>	Y	<p>We concur with the recommendation as this is ongoing work for the leadership team in Finance. Please see the note under work in progress, that further details the strategy related to talent acquisition and retention.</p>
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Finance		
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
	<p>Finance in particular and the public sector in general have continued to struggle to attract and retain talent beyond the COVID era. The City of Richmond has not been immune to this trend. The Finance Department has become more adept in creating pipelines into the department to fill open positions through the use of contract/staff augmentation. The strategy has been in place since fiscal year 2022. In fiscal year 2023, we are expanding to include interns.</p>		
6	<p>We recommend the Director of Finance follow up on the businesses identified in the audit and collect meals taxes due.</p>	Y	<p>We concur with the recommendation. We will begin the statutory assessment on the businesses identified during the audit.</p>
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Finance		30-Jun-23
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION

APPENDIX B: MANAGEMENT RESPONSE FORM

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7	We recommend the Director of Finance develop and implement a plan to reconcile the meals tax accounts timely to achieve the performance collection goals of the City and promote accurate and reconciled information in the partial payment letters.	Y	We concur with the recommendation. We have requested and received approval for additional staff to stand up a team solely responsible for reconciliation of customer accounts across all tax types. Additionally, we will review our standard operating procedures to include timeliness in the performance of the reconciliation of all taxpayer accounts. As it relates to payment letters, we will continue the current process as it does not conflict with the intention of this recommendation.
TITLE OF RESPONSIBLE PERSON		TARGET DATE	
Director of Finance		30-Jun-24	
IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION	