

February 14, 2024
City of Fort Smith Board of Directors
SUBJECT: Business License Remediation Report

Board of Directors:

Business License remediation audit consisted of performing a review of the processes and recommendations from the audit conducted in 2020.

BACKGROUND

All businesses within the incorporated city limits of Fort Smith must obtain a Business License unless the business qualifies for an exemption. Business Licenses are managed in accordance with the City of Fort Smith Code of Ordinances, Chapter 13, Article 3. These include:

- Businesses that are corporation, non-profit, LLC, LLP, association, or sole proprietor
- Businesses that have any type of state or federal license
- Businesses that have or should have a sale tax or use permit
- Landlords who have residential units or any commercial, industrial or institutional property
- Religious institutions, Educational institutions, and Non-profit entities with a 501 (c) 3 or similar designation (no general fee)
- Businesses that require a sales or use tax permit or collect any type of tax
- Home-based businesses
- Government entities
- Businesses owned or operated by someone under the age of 18

Some businesses require permits for professional services, such as tattoo parlors and medical service centers. A business that has a license in another City/town does not have to pay for a City of Fort Smith business license as long as the business is able to provide a copy of the payment receipt to the Business License Clerk (BLC). The BLC will attach a copy of the paid receipt in EnerGov 9 as support. Business licenses require an annual \$100 fee, unless it is a first year new business in which the fee has been temporarily waived. There are penalties for late payments. If the business is one to thirty days late, the fee is \$50 dollars and if the business is thirty-one or more days late the fee is \$100 dollars.

The recommendations from the 2020 Business License audit:

- All construction/contract bid packets should contain a business license verification sheet. A copy of the paid business license should be attached or business license number
- A current business license report should be emailed monthly to the City department or placed on the world drive for all departments to access. This allows for the employee to verify the business has a current business license.
- All Professional Services should be verified with the Business License Clerk before services are obtained.
- The Purchasing Department assisting a department with City business should work collaboratively together to ensure that the selected business, contractor(s), subcontractor(s), etc... have valid business licenses.

IA inquired with the Purchasing department and the recommendation to include a business license verification sheet, copy of the paid business license or business license number was not included in the construction/contract bid packets. Additionally, not all departments are not verifying professional services with the Business License Clerk before obtaining their services.

The Planning department just recently placed on the World Drive (W Drive) monthly the business license list for the departments to verify the business has a current license. IA also identified a box in the Customer Service Department a box that is not secured. Planning explained that people will place their applications and check payments in the box. Cash payments are made through Customer Service. However, people have placed cash in the box instead of making their payment through Customer Service. IA is aware that the customer service area does get extremely busy at time and things have been stolen from the lobby area. The box can easily be placed behind the Customer Service window and the customer can ask for them to place it in the box.

As of the remediation audit, Planning is still utilizing EnerGov and has not transitioned to Cityview. Once Planning has transitioned to Cityview, they will have opportunities for anyone needing a business license to pay online, renew their business license online, and accelerate the process.

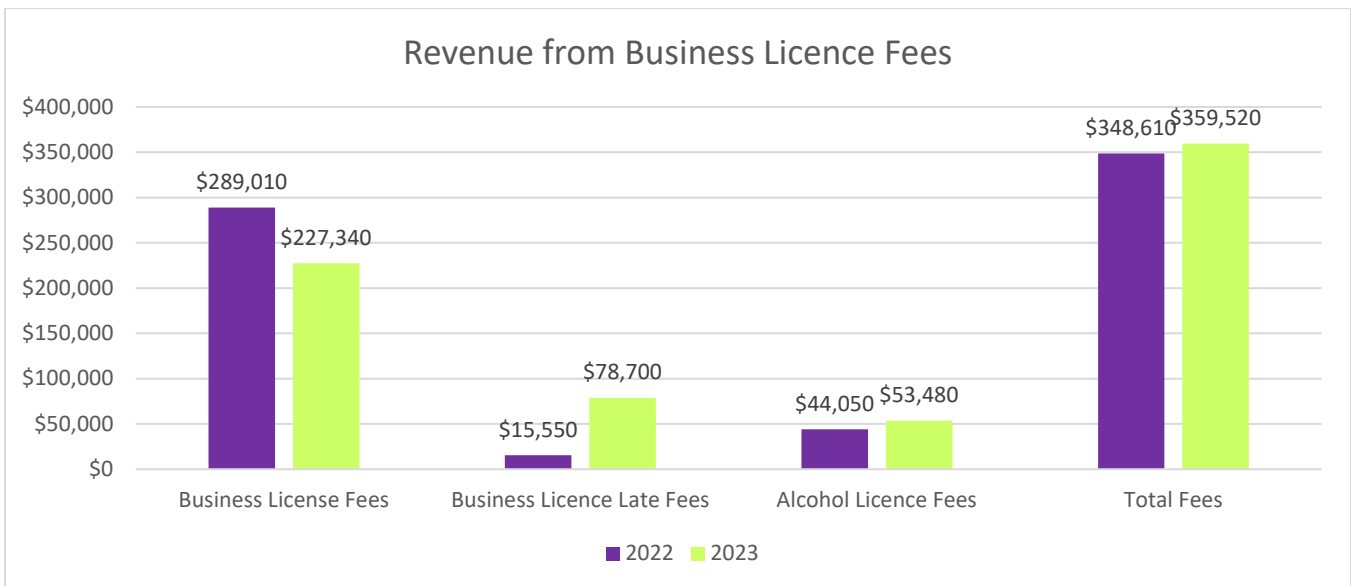
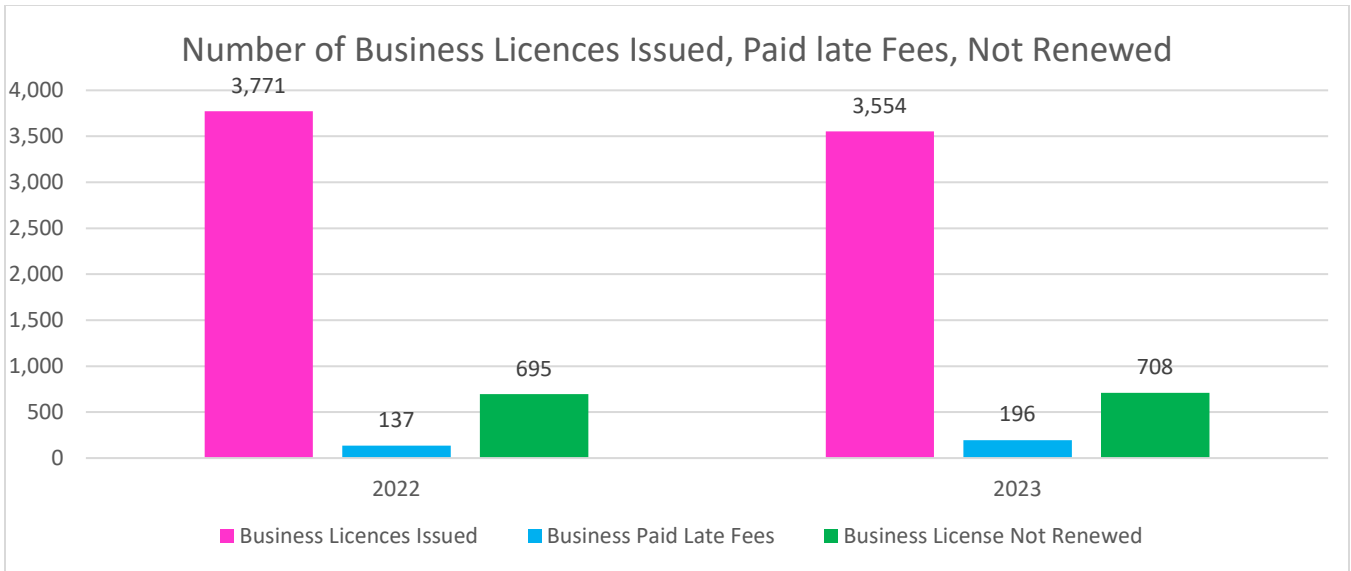
Recommendations

Internal Audit continues to recommend that the Purchasing department and the Planning department implement the recommendations previously stated above. IA also recommends that the payment box in the lobby of Customer Service be moved to a safer place behind the customer service counter. Lastly, IA encourages the Planning department to strategize and identify ways to hold the businesses accountable for paying their yearly renewal fees. A possible consideration could be working with the Fire Marshalls to issue warnings, collect the renewals, etc. when conducting inspections of those businesses who have not paid their renewal fee.

A memo was provided to all of the city departments regarding the recommendations so that are aware of the business license requirement and ensure they are verifying the businesses have a current business license before acquiring their services.

Below IA has provided an analysis based upon data provided by the Planning department. Reasons that a business might not have renewed their business license could be they are no longer in business or moved. In 2023 there were 3,630 renewals sent and 548 new business licenses. The late fees range from \$50 to \$400 and a majority of the late fees were \$100.

District	2022 Total Businesses not Renewed	2022 Total Dollar Amount not paid	2023 Total Businesses not Renewed	2023 Total Dollar Amount not paid
Citywide	210	\$12,765	215	\$13,865
Ward 1	142	\$7,825	153	\$11,900
Ward 2	102	\$6,570	89	\$8,190
Ward 3	113	\$7,030	115	\$10,220
Ward 4	127	\$9,400	135	\$11,990
Extra Territorial Jurisdiction	0	0	1	\$100
Total not renewed	695	\$43,590	708	\$56,265



ACKNOWLEDGEMENT AND SIGNATURES

The Audit Team would like to thank the Business License Clerks for their cooperation, time, and efforts throughout the course of the remediation audit.

Tracey Shockley, MBA, CFE, CCA

City of Fort Smith Internal Audit Director



February 20, 2024

City of Fort Smith Internal Audit

SUBJECT: Business License Remediation Report Response

In response to the review of the processes and recommendations from the audit conducted in 2024, please see the below provisions.

The Planning Department will work on moving the drop box located in the customer service area. The new location will be behind the window in the customer service area lending to a more secure location.

The Planning Department will conduct a meeting with the IT Department and the Fire department in order to determine a viable solution for on-site annual inspections by the Fire Department and business license renewals and issuance.

The Planning Department will conduct a meeting with the Purchasing Department to explore possible amendments to the current bid package applications, to include a business license number.

Additionally, The Planning Department has taken the suggestion of Director Morton and implemented an inspection of current commercial utility account holders with the current business licenses held in the City of Fort Smith. This solution should provide an increase in commercial business license applications.

ACKNOWLEDGEMENT AND SIGNATURES

The Planning Department and Business License Specialists would like to thank the Internal Audit Team for their hard work and attention to our process.

Maggie Rice
Director of Development Services

Assessment of Managements Responses

IA inquired the Planning Director regarding a timeline for the actions above and they have already visited with Maria, Collections and Customer Service Supervisor and started the conversation with Joshua Robertson, Deputy of Business and Finance Utility Department. Implementation of those procedures should begin in the next few months. The goal is to go live with Cityview by the fourth quarter. Management's response, as presented, sufficiently addresses the issue identified.