

Office of the City Auditor
Kansas City, Missouri

Highlights

Why We Did This Audit

We did this audit because improving enforcement of taxes can increase city revenues. Enforcing taxes also conveys the city's commitment to applying tax laws uniformly and fairly. We focused on business tax and fee enforcement because the majority of involuntary collections are from unpaid business taxes and fees. Improving revenue collections is a City Council priority.

What We Recommend

The audit includes recommendations for

- increasing the speed with which delinquent and collection cases are processed,
- improving the consistency and accuracy of tax assessments and lawsuit packets,
- analyzing the effectiveness of collection efforts,
- improving the morale and work environment in Taxpayer Services, and
- considering asking the state to collect additional city taxes to reduce the division's workload.

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For more information, please contact the City Auditor's Office, at 816 513-3300 or auditor@kcmo.org.

To view the complete report, go to www.kcmo.org/auditor and click on Audits and Memos.

PERFORMANCE AUDIT

Involuntary Collections of Business Taxes

What We Found

To improve success in collecting delinquent business taxes, the city needs to identify, notify, and assess delinquent taxpayers more quickly. Our review of the Taxpayer Services Section's efforts to collect unpaid profits, withholdings, and convention and tourism taxes, and business license fees identified:

- Delays in identifying potential tax delinquencies. For example, on average, the division took 121 days to identify potentially delinquent convention and tourism taxes, and 241 days to identify potentially delinquent occupational license fees.
- Delays in sending delinquency notices. For example, in May 2009, 16,000 first notices for 2007 profits taxes had not been sent.
- Delays in assigning cases to taxpayer specialists. For example, in Summer 2009, 23,000 cases for tax periods 2004 to 2008 had not been assigned.
- Once assigned, staff meet processing time guidelines less than 10 percent of the time.

Commercial collection agencies report the chances of collecting delinquent taxes decrease from 90% at 30 days past due, to 9% after two years.

Taxpayer Services has problems processing delinquent and collection cases consistently and accurately. We found:

- Inconsistent methods and in some cases unrealistic assessments result in differing assessment amounts and reflect poorly on the city.
- Flawed lawsuit packets sent to the Law Department, which result in wasted staff time and delays in collection efforts.
- Revenue collections should be analyzed to identify problems and ensure operational changes improve effectiveness.
- No performance standards or measureable outcomes in the city's contract with the collection agency.
- Evidence of Taxpayer Services' low employee morale and poor work environment which is likely affecting productivity. Staff interviews and surveys revealed perceptions of favoritism, disruptive behavior, and a need for additional training for supervisors and staff.

We also identified some city vendors and contractors with delinquent tax cases that provide services and receive city payments.

Management agreed with all of the recommendations.