

# Audit finds over \$2 million in Long Beach finance department revenue uncollected

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0 COMMENTS

LONG BEACH - An audit released Wednesday found that between \$2.4 million and \$2.6 million in business license revenue in Long Beach has gone uncollected.

The report by City Auditor Laura Doud connected the deficit to a lack of clear procedures and reporting methods in the Department of Financial Management's Business Relations Bureau, leading to inconsistent collection efforts and revenue adjustments without adequate supporting documentation.

An outdated collections software, which is scheduled for replacement this year, also contributed to the problem, the audit says.

Businesses paid about 95 percent of the \$11.7 million in licensing fees received in 2012 without any collection efforts by the city, the audit noted.

"We need to have consistent collection efforts at this time to ensure those who aren't paying do pay, to make it fair," Doud said in an interview.

Financial Management Director John Gross wasn't available for comment.

However, in a written response to the audit, which examined the period from May 1, 2010, through April 30 of last year, Gross noted that the department has balanced revenue collection with other priority functions, such as medical marijuana enforcement.

"Management believes the slowdown in work on medical marijuana and the addition of a business licensing inspector (this year) will allow us to improve emphasis on revenue collection," Gross said.

The Business Relations Bureau handled the city's implementation of a permitting process for medical marijuana collectives in 2010 and the ban that went into effect one year ago.

Gross also argued that the figure given for uncollected revenue would be "better" calculated as \$655,000.

Doud took issue with Gross' characterization, saying the number only represented accounts more than 30 days old that are being pursued by the Business Relations Bureau. About \$2 million of the total noted in the audit is either a current outstanding bill or an account in some stage of collection outside of the bureau.

"They have been unable to provide any documentation to refute any of our audit finding," Doud said.

A sampling of overdue accounts by auditors found that 48 percent of accounts were between 181 days and 360 days old, and 39 percent were older than 360 days.

The report also says the annual average business license in Long Beach costs \$383.

The audit's findings are available at [www.cityauditorlauradoud.com](http://www.cityauditorlauradoud.com).

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