



Joseph M. Centorino, Inspector General

TO: Honorable Mayor and Members of the City Commission
FROM: Joseph M. Centorino, Inspector General

DATE: July 24, 2024

PROJECT: Business Tax Receipt and Resort Tax Inspection Report
OIG No.: 24-15

PERIOD: 2016/17 fiscal year through 2023/24 fiscal year (October 1, 2016 – September 30, 2024)

The City of Miami Beach Office of the Inspector General (OIG) used data analytics to examine the population of Business Tax Receipts (BTRs) entered into the EnerGov system, the City licensing and permitting system. Testing focused primarily on determining whether any businesses had not timely obtained its BTR for the 2023/24 fiscal year as of March 30, 2024 and then the number of prior fiscal years for which it was not compliant. It is important to emphasize that the results of the OIG's analysis are only as accurate as the data inputted by City staff into the EnerGov system.

BUSINESS TAX RECEIPTS SUMMARY

In accordance with Florida State Statute 205.042, the City has the authority to impose a business tax through a resolution or ordinance for the privilege of conducting or overseeing any business, profession, or occupation within its jurisdiction. As a result, the City has implemented a business tax (previously referred to as an occupational license), which has remained mostly unchanged over the years, with the exception of fees.

As described in Section 102 of the Miami Beach City Code, the City Commission levies a business tax for the privilege of engaging in or managing any business, profession, or occupation within the City's jurisdiction. Each business tax receipt is valid for one year, from October 1 through September 30 of the following year, and it must be posted in or about the place of business where it may be seen upon inspection by any official of the City. City Code Section 102-379 lists the tax schedules for various businesses, occupations, and professions. The City attempts to notify all receipt holders that their receipts are due for renewal; however, they are responsible for renewing the receipt prior to October 1, even if a renewal notification from the City has not been received.

There are penalties for failing to display the receipt, operating without the business tax receipt, or failing to timely renew the receipt. Enforcement and collection procedures may consist of prosecution before the Special Master, suspension/revocation proceedings, suit for injunctive relief to enjoin the operation of the business, imposition of a special assessment lien, or imprisonment and imposition of a fine.

The City Finance Department (Finance) is responsible for the issuance, administration, and collection of BTRs. The Code Compliance Department (CCD) oversees enforcement, monitoring residential and commercial districts for potential violations of the City Code.

Other City departments may also become involved in the process depending on the business type and its location. For example, the Building Department will check if there is a valid certificate of occupancy (a change in the classification of the business establishment or use of the space) for the building and if there is a change of occupancy based on the Building Code for the proposed use. Similarly, staff in the Fire Department Plan Review Section will check if there is a change of occupancy based on the Fire Code for the proposed use. The Planning Department will ensure that the type of business proposed is permissible in the chosen location. The Transportation and Mobility Department will check to determine if the proposed project will increase the site’s demand for roads, water, drainage, sewers, parks, and other city services and facilities. The Office of Asset Management must be involved if the business is a beachfront concession.

BACKGROUND

In February 2024, during an ongoing OIG audit, the assigned auditor discovered several businesses operating on City-owned property without a valid BTR, some for multiple fiscal years. The auditor contacted the CCD to investigate this non-compliance. As a result, CCD staff issued several Notices of Violations, and some businesses were shut down, having to pay more than \$97,000 in total to obtain the BTRs needed to reopen. This situation raised questions about the City’s monitoring of compliance with BTR requirements.

ANALYSIS PERFORMED AND INITIAL RESULTS

A data analysis process was conducted using information extracted from the EnerGov database to create a color-coded pivot table (Matrix) to display the timeline of all permits in the system. Finally, a formula in column *Test* flags all permits that were not active in the fiscal year 2024 or not labeled as *Closed*, resulting in approximately 3,500 permits being marked for possible non-compliance and further testing. An example of the Matrix’s displayed information is shown below:

LICENSE NUMBER	BUSINESS NAME	2018	2019	2020	2021	2022	2023	2024	Test
BTR000001	Business A	Not Issue							Look Over
BTR000002	Business B		Expired	Expired	Expired	Closed			
BTR000003	Business C	Expired	Expired	Expired	Not Issue				Look Over
BTR000004	Business D	Expired	Expired	Expired	Expired	Expired	Pending	Active	
BTR000005	Business E			Expired	Expired	Expired	Pending	Active	
BTR000006	Business F	Expired	Expired	Expired	Expired	Expired	Expired	Active	
BTR000007	Business G		Expired	Expired	Expired	Expired	Expired	Pending	Look Over
BTR000008	Business H							Pending	Look Over
BTR000009	Business I	Expired	Not Issue						Look Over

The list yielded approximately 13,700 different types of permits. It should be noted that some of the permits included in the list might belong to businesses or individuals no longer in a commercial relationship with the City.

There may be multiple reasons and different root causes to explain why more than 3,500 identified businesses were not issued BTRs. For example, some businesses may have ceased operations without providing notice to the City, and/or the City was notified but failed to take the appropriate action(s); some businesses may never have been licensed due to ignorance of BTR requirements, while others may have intentionally evaded the requirements.

ANALYSIS RESULTS

After a brief review of the list, the OIG noticed that several entities actively doing business in the City, such as restaurants, banks, and retail merchants, had been working without the required BTR for several years.

The OIG sent the Matrix to and discussed the information with both Finance and CCD throughout March 2024. During these conversations, the OIG was informed that Finance sends a list of businesses that may be operating without BTRs to the CCD every month, but the list dates back only one year.

The OIG requested this list and confirmed the information by doing a sample comparison between the Matrix and the list from the Finance Department. It was found that sampled businesses that had been non-compliant for over a year were not included in the non-compliant list provided by Finance. This could explain the existence of numerous businesses operating without BTR for multiple years since, after one year of non-compliance, the business will no longer appear on the list and most likely will go undetected.

ENFORCEMENT REVIEW

To determine and monitor compliance outcomes, the OIG conducted a second data analysis involving the previously created Matrix and the CCD Notice of Violation (NOV) database to determine how many businesses in the Matrix list received an NOV. This analysis compared the addresses in the Matrix’s list with the addresses of NOVs issued between March 29, 2024, the date the permit list was shared with CCD, and June 30, 2024. Business details in both lists were also compared to improve the accuracy of the matches. The following list includes the number of businesses, segregated by business types, that were found to be non-compliant by the CCD and issued either an NOV or a Courtesy Notice.

Business Type	# Businesses
Apartment Buildings (Rental)	11
Apartment Rooms	4
Automobile/Truck: Body Shop, Garage, Storage	1
Beauty Parlors, Hairdressing, Facial Massage, Manicuring	4
Building & Loan, Financial Institutions	1
Condominium	6
Dog Grooming, Animal Clinic	2
Gallery, Art	1
Hotels	2
Institutions	1
Laundry Dry Cleaners	1
Merchants Sales	8

Merchants Sales-From \$100,000	4
Office	1
Parking Lot	1
Property Management – Shell BTR	1
Restaurants	6
Storage Yard	1
Transient Short-Term Rental – Residential	9
Undetermined*	3
Grand Total	62

* The *Business Type* data for those businesses was not stated.

It is important to note that the 62 businesses listed represent only those that the CCD has identified and issued NOVs or Courtesy Notices to during the specified three-month period and do not encompass all businesses requiring review. Also, the CCD officers might have visited more businesses listed in the Matrix than the ones that received NOVs, but either no violation was issued on those businesses, or they may no longer exist.

Also, during the analysis, the OIG noticed that the information in EnerGov is not consistently updated or accurate. Many businesses that were actually closed did not appear as such in the system. While it is the responsibility of the companies to inform the City when they close or are sold, this often does not happen, resulting in the information in the City databases becoming outdated.

RESORT TAX NON-COMPLIANCE

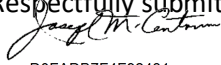
During the process of looking for data in EnerGov system to perform its BTR analysis, a file report titled *ResortTaxAccountWithMissingReturns* was noticed. This report lists businesses not complying with section 102-311 of the City Code by not sending monthly tax returns with corresponding payments to the City. The spreadsheet shows, as of March 2024 a detailed record of 878 non-compliant businesses, including information such as the total number of missing returns for each business, which ranged by March 2014 from 1 to 84, as well as account numbers, the names and addresses of the businesses, and contact information. From the 878 non-compliant businesses, 444 accounts had 1 or 2 missing monthly returns, while 434 had 3 or more missing returns. This list was relayed and discussed with Finance and CCD during the meetings held related to the BTR Matrix analysis performed.

CONCLUSION


Data analytics, which utilizes various tools, technologies, and processes to identify trends in raw data in order to more rapidly formulate strategies and arrive at conclusions, has become a favored method in OIG work nationally and will be increasingly relied upon by the Miami Beach OIG . The analysis conducted by the Office of the Inspector General has identified gaps in the enforcement of Business Tax Receipts. These early results show that numerous businesses have operated without the required BTRs for several years. This highlights a need for enhanced coordination between the Finance Department and Code Compliance Department to ensure timely issuance and enforcement. Moving forward, the use of data analytics as a tool and maintaining clear, updated information within the system should be prioritized to improve compliance and fair tax contribution.

If requested, the OIG is willing to perform similar BTR and Resort Tax analyses so that City management can more quickly identify scofflaws or inaccurate EnerGov system data so that the appropriate corrective action can be initiated.


We appreciate the collaboration of the Code Compliance and Finance Departments throughout this analysis. The OIG will continue its review of available BTR data with appropriate follow-up discussions with both departments.

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Respectfully submitted,

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Norman Blaiotta, Deputy Chief Auditor

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