Summary Title: BRC Audit Response

Title: Policy and Services Committee and Staff Recommend that the City Council Accept the Status Update of the Audit of the Business Registry

From: City Manager

Lead Department: Administrative Services

Recommendation
Staff Recommends the Policy and Services Committee Recommend the City Council Accept the Status Update of the Audit of the Business Registry.

Background
In September 2018, the City Auditor’s Office issued the Business Registry audit with the purpose to assess the City’s business registry rules, processes, and data and provide recommendations to improve and maintain data quality. At its meeting on September 11, 2018, the Policy and Services Committee unanimously approved to recommend that the City Council accept the Business Registry audit. The City Council accepted the audit in a 7 – 0 vote at its meeting on August 5, 2019. Additional information and clarification were requested by the Policy and Services Committee and was addressed by the Business Registry Post Audit Memorandum from the City Auditor’s Office dated July 25, 2019, on the following areas outside of the audit scope:

1) Reliability (i.e., completeness and accuracy) of 2018 business registry data that MuniServices collected for the City
2) Decline in the number of business registrations from 2015 to 2017
3) Comparison of Palo Alto’s business registry with other jurisdictions

Since the August 5th Council meeting, the administration of the Business Registry program has transferred from the Planning and Development Services Department to the Administrative Services Department.

In light of COVID-19 and the impact on local businesses, during the March 23, 2020 Council meeting, Council approved a motion to discontinue work on the local business tax measure for the November 2020 election and to have Staff focus on the business registry certificate
program. Over the coming year, Staff was directed to work on streamlining the process to register and ensuring all businesses are registered, improving completeness of the registry and the reliability of the data. Council additionally asked Staff to consider waiving the business registration fee. At the May 4th Council meeting, Staff recommended that Council adopt a resolution waiving the business registration fee and late fees due for 2020, adopt a resolution rescinding the approval of the levy of assessments for the Downtown Business Improvement District (BID) for FY20, and approve the reimbursement of business registration fees and BID assessments due in 2020 that have been paid by businesses. These recommendations passed in a 7 – 0 vote and program administration has since been focused around communicating these changes and coordinating reimbursements with our vendor.

Discussion
With the recent transitioning of the program in January, program launch for 2020 in February, and COVID-19, there has been insufficient time to act on all the audit recommendations. Staff intends to act on the rest of the recommendations in Fall 2020. The status update for each recommendation can be viewed in detail in Attachment A.

The Business Registry Program has seen a few revisions since this audit and the updates provided in this staff report. In March 2020, the City Council provided direction to staff to terminate work on a potential business tax local ballot measure for the November 2020 election. Furthermore, Council directed that future work focus on revisions to the city’s existing business registry certificate program with the specific goals of streamlining the process to register and ensuring all businesses are registered, improving the completeness of the registry and reliability of the data.

In addition, this program has been impacted by a few actions as a result of the current public health emergency (COVID-19):

1. City Council approved a waiver of the fees for 2020 to assist businesses during this unprecedented time.
2. Staff is leveraging the current business support program to also support the Business Registry program as well.

It is expected in the next audit update that this most recent direction will be included in the updates as appropriate.

Resource Impact
Implementation of the audit recommendations have been handled with existing resources.

Policy Implications
Implementation of the audit recommendations is consistent with existing city policies.

Stakeholder Engagement
This report and the updates within have been coordinated with the City Auditor’s Office staffing.

Attachments:
• Attachment A: Status of Audit Recommendations
The City Manager has agreed to take the following actions in response to the audit recommendations in this report. The City Manager will report progress on implementation six months after the Council accepts the audit report, and every six months thereafter until all recommendations have been implemented.

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Responsible Department(s)</th>
<th>Agree, Partially Agree, or Do Not Agree and Target Date and Corrective Action Plan</th>
<th>Current Status</th>
<th>Implementation Update and Expected Completion</th>
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<tbody>
<tr>
<td>Finding: The City’s business registry data was not reliable. Data that MuniServices LLC started collecting under contract with the City in 2018 should be more reliable, but there is opportunity for further improvement.</td>
<td>To improve and maintain the quality of the City’s business registry data, we recommend that the City Manager:</td>
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<td>1. Identify and consult with key stakeholders (e.g., City Council, Planning and Community Environment Department) who use the business registry to clarify existing and potential uses and priorities for business registry data. Based on these consultations, review and modify the questions, as necessary, that the City asks businesses to self-report.</td>
<td>Administrative Services</td>
<td>Concurrence: Agree</td>
<td>In Progress</td>
<td>June 2020 Management Update: Existing and potential uses of business registry data have not been clarified through stakeholder discussions due to the transitioning of this program to a new department and the work related to waiving of BRC fees due to COVID-19. Staff will work to address this recommendation in the upcoming FY21 cycle. Expected Completion Date: Fall 2020</td>
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<td>Target Date: June 30,2019</td>
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<td>Action Plan: Development Services Department (DSD) will lead an effort to gather feedback from internal department stakeholders as noted in the column to the left. The department may also discuss the registry with external stakeholders. Staff will return to City Council for a recommendation prior to the 2020 Business Registry cycle.</td>
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<td>2. As part of a broader strategy to improve the reliability of the business registry, explore and assess the cost versus benefit of the following options, which may work in synergy:</td>
<td>Administrative Services</td>
<td>Concurrence: Agree</td>
<td>Complete</td>
<td>June 2020 Management Update: The verification of business data is done through the discovery process performed by Avenu Insights &amp; Analytics. City Council approved a new contract with Avenu Insights &amp; Analytics on 12/2/19 (CMR #10493) that included ways for increasing the accuracy of BRC data. This contract outlined Avenu Insights &amp; Analytics using resources such as their own proprietary</td>
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<td>Target Date: June 30, 2019</td>
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<td>Action Plan: DSD agrees to explore and assess the cost versus the benefit of the suggested options. Staff will return to the City Council during the Fiscal Year 2020 budget cycle with any associated program recommendations. Staff does intend to utilize MuniServices business discovery</td>
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<td>Recommendation</td>
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<td>Agree, Partially Agree, or Do Not Agree and Target Date and Corrective Action Plan</td>
<td>To be completed 6 months after Council acceptance and every 6 months thereafter until all recommendations are implemented</td>
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<td>Statistics of U.S. Businesses program data, either by itself or together with other available data, to validate business registry data and identify potentially unregistered businesses.</td>
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<td>and analytics services prior to the 2019 Business Registry cycle. This service will utilize external sources acquired by MuniServices. Staff will also meet with the Utilities and Information Technology departments to discuss data sharing.</td>
<td>database sources, the State of California Sales Tax data, Santa Clara County Real Property data, Dun &amp; Bradstreet, and InfoUSA for verifying the accuracy of the BRC database. Data sources used varies by availability and coverage area. Additionally, to begin discovery services, the contract states Staff provides business fee and business and occupation application forms as well as database files such as commercial utility billing records to Avenu Insights &amp; Analytics. The Palo Alto Transportation Management Association (PATMA) provided Staff with business data gathered through in-person observations of downtown businesses to assist in keeping the BRC database accurate. This was provided to the Avenu Insights &amp; Analytics discovery services team to inform their efforts. Staff will explore the future of making this a regular source of information provided.</td>
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- Provide City data to MuniServices to help improve and monitor the reliability of the registry data (e.g., validation of registration when code violations are reported against a business or when a business applies for a permit, utilities customer data).  

- Gather data from in-person observations of City businesses. If the City decides to conduct in-person observations, it should work with MuniServices to plan, conduct, and accurately record the observations in a useful format. Alternatively, this could include hiring temporary help to physically identify where businesses are located in the City to supplement data self-reported by businesses or through other data sources and to improve the accuracy of future updates.
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| 3. Update the Development Services business registry administrative manual to reflect Development Services’ new project management and contract administrator roles and responsibilities. The update should incorporate: | Administrative Services | **Concurrence:** Agree  
**Target Date:** December 31, 2018  
**Action Plan:** DSD will update the administrative manual prior to the 2019 Business Registry Cycle. Staff does intend to review reliability of the registry data prior to the launch of each annual collection cycle and to include reference to this practice in the administrative manual. | In Progress | **June 2020 Management Update:**  
Updating the existing administrative manual is a work in progress. Staff will work next to obtain more in-depth information on how Avenu Insights & Analytics reviews data for accuracy and completeness and how Staff can best monitor and support for quality control. This information will be incorporated into the administrative manual.  
**Expected Completion Date:** Fall 2020. |