



**A V E N U**  
INSIGHTS & ANALYTICS

# CITY OF BEAUMONT, CA

PROPOSAL FOR

## TAX COMPLIANCE AUDITING SERVICES

April 24, 2024 (v2)

Submitted By:

Avenu Insights and Analytics  
5860 Trinity Parkway, Suite 120  
Centreville, VA 20120  
Attn: Rachelle Arizmendi, Account Executive  
(213) 200-6376   
Rachelle.Arizmendi@avenuinsights.com   
[www.avenuinsights.com](http://www.avenuinsights.com) 

## **A. TABLE OF CONTENTS**

### **A. TABLE OF CONTENTS**

### **B. EXECUTIVE SUMMARY**

- B.1 Firm's Qualifications
- B.2 Management and Staff Qualifications

### **C. SCOPE OF WORK**

- C.1 User Utility Tax (UUT)
- C.2 Franchise Fee
- C.3 Transient Occupancy Tax (TOT)
- C.4 Business License/Business License Tax
- C.5. Payment Processing Services

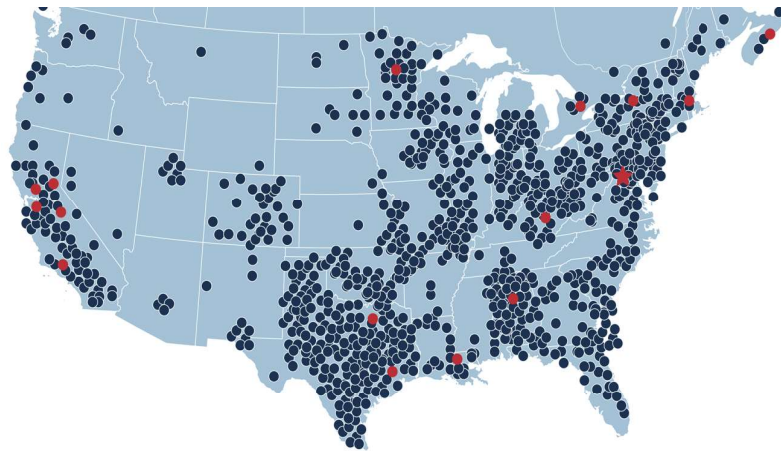
## B. EXECUTIVE SUMMARY

### B.1 FIRM'S QUALIFICATIONS AND EXPERIENCE

Founded in 1978, Avenu, LLC., a subsidiary of Avenu Insights & Analytics, LLC is a privately-owned revenue enhancement services company that specializes in helping municipalities and public agencies across the nation to preserve, enhance, and manage their tax revenue base. Avenu has a Revenue Enhancement team of more than 150 auditing experts, Certified Public Accountants (CPAs), Certified Revenue Examiners (CREs), and Certified Tax Examiners (CTEs), Audit Managers, and Analysts. Avenu has over 700 employees nationwide supporting hundreds of clients across the United States.

***Avenu, LLC, a subsidiary of Avenu Insights & Analytics is Registered and Licensed to practice in CA.***

Avenu' proposed work on behalf of the City will be built on our experience statewide and nationwide. **Per Year, Avenu generates over \$1 billion in new general fund tax revenue for its local government clients.** Avenu has focused their business on providing comprehensive audit services, proprietary data analytics, accurate forecasting, cost-effective administration services, and coupled with our commitment to our clients.



*Figure 1 - With Blue Dots representing clients and red dots representing Avenu offices, we have a national footprint capable of continuing our support of the City.*

Avenu is uniquely qualified to provide the City with the requested services:

- **Four Decades of Experience.** For over 40 years, Avenu has been an industry leader in the field of Sales and Use Tax Auditing and Reporting, and our refined

and proven approach and methodologies are a direct result of these decades of experience.

- **Proven Results.** Avenu offers the City a partnership that will provide the City with significant results. Avenu has recovered over **\$2 billion** in Sales, Transaction and Use Taxes for our California clients.
- **Government Relations Support.** Avenu offers the City the support of our Government Relations and Legislative team as a complimentary service, which solely focuses on government activities that may potentially impact California-specific tax types.
- **Sales, Transaction and Use Tax Auditing Experts.** Avenu submits over 5,000 corrections per year to the CDTFA and has a team of Certified Public Accountants (CPA), Certified Revenue Examiners (CRE) and audit managers, with decades of experience in the intricacies of sales tax regulations and anomalies to detect potential filing errors for our clients.
- **Firmly Established throughout California.** We know California. We were founded in California, and we currently provide revenue consulting services to over 350
- **Annualized Subscription for a Comprehensive Audit Plan.** In addition to charging the City a Contingency Fee for revenues recovered, Avenu is including an Annualized Subscription for a Comprehensive Audit Plan that *INCLUDES* UUT (Utility User Tax) program, Franchise Fee Program, Transient Occupancy Tax (TOT), Audit BLT (Business License Tax) Program, Local Tax Compliance (Discovery and Recovery) of Business Licenses, and Payment Processing for an Annual Subscription Fee.

## B.2 MANAGEMENT AND STAFF QUALIFICATIONS

Avenu has an extensive and cohesive team of experts that consists of Certified Public Accountants (CPAs), Certified Tax Examiners (CTEs), Certified Revenue Examiners (CREs), Audit Managers, and Analysts. This team is directly responsible for the tremendous successes past performance. Below, we offer the City our team's summary biographies:

### Mike Portis, CPA, Vice President of Audit

As Avenu's Vice President of Audit, Michael leads Avenu's Revenue Enhancement Group, which consists of a full suite of compliance auditing across several tax types. Michael is a Certified Public Accountant in both Texas and North Carolina and is a U.S. Army Veteran. Mr. Portis is a Certified Fraud Examiner (CFE) and is responsible for the overall performance of this contract and supervising Avenu's Hotel Occupancy Tax

---

team. Michael has 25 years of direct experience in tax auditing and has served in several key positions for some of the largest tax firms in the United States. Prior to joining Avenu, Michael served as a Director of Tax and Unclaimed Property and Tax Manager for ApexAnalytix. Michael served as Senior Tax Manager for EY, Revenue Field Auditor II for the North Carolina Department of Revenue, State Tax Consultant for Enron, and Supervising Senior Tax Consultant for KPMG. **Education:** Doctor of Jurisprudence from University of Houston Law Center and Bachelor of Business Administration in Accounting from University of Texas at San Antonio.

## USER UTILITY TAX AND FRANCHISE AUDIT TEAM

Thomas Adams, Client Services Executive

Tom has over 20 years of experience in municipal government including work for the City of San Jose, the City and County of San Francisco, and the City of San Rafael. Most recently, Tom worked on redevelopment and economic development projects for over twelve years. Tom has extensive experience working on auditing user utility taxes and franchise fees, sales tax and revenue analysis, municipal operating and capital budgets, and strategic planning. Tom works with sales tax clients throughout California including the cities of San Jose, Sacramento, San Diego, and Los Angeles.

## TRANSIENT OCCUPANY TAX TEAM

Gennaro DiMassa, TOT Senior Auditor. As Avenu Senior TOT Auditor, Gennaro, a Certified Public Accountant, is responsible for Avenu's TOT Compliance program. Mr. DiMassa has been with Avenu since 2006 and he is responsible for the review and analysis of the Transient Occupancy Tax paid by hotels for compliance with City ordinances. He has ten years of audit experience with a major recovery audit firm and practiced seven years as a CPA with a major CPA firm in the Los Angeles area.

Tami Nguyen, TOT Senior Auditor. As Avenu Senior TOT Auditor, Tami is responsible for the company's TOT Compliance program. Tami has been with Avenu for over 15 years and she is also responsible for the review and analysis for Transient Occupancy Tax paid by hotels for compliance with City ordinances. She is directly responsible for Avenu's tremendous success in our TOT audit service practice where she conducts audits and helps prepare management reports. Prior to joining Avenu, she worked for a major home builder as a Treasury Analyst.

## BUSINESS LICENSE AUDIT/ DISCOVERY TEAM

Kelli Greene, Manager Data Intelligence Services | Local Tax Compliance As Avenu's Manager of Data Intelligence Services | LTC, Kelli is responsible for the Data Intelligence and Local Tax Compliance departments. Kelli has been with Avenu for over 28 years and manages the production of data utilized by Avenu's Sales and Use Tax,

Local Tax Compliance, Property Tax, Clearview Analytics and Audit teams. Her team is responsible for analyzing data for anomalies and providing quality control necessary to eliminate discrepancies embedded within the data. Kelli's team also provides the lead identification for SUTA and LTC processes.

**Angel Rivera, Sr. Sales, Transaction and Use Tax Analyst/Audit Supervisor**

Angel has over 25 years with Avenu and currently supervises the Sales, Transaction and Use Tax Audit team. In addition, she serves as a Senior Analyst, directly interacting with businesses to determine possible allocation reporting errors and developing substantiating documentation to establish a date of knowledge with the CDTFA. Angel's work for Avenu involves an extensive amount of time interfacing with high level personnel at 'Fortune 500' companies throughout the U.S. on behalf of Avenu clients. Angel has a working knowledge of sales/use tax law, CDTFA administrative procedures and tax preparer reporting procedures.

## LEGISLATIVE AFFAIRS / GOVERNMENT RELATIONS TEAM

**Francesco D. Mancia, MBA, VP Government Relations**

Fran has been with Avenu for 28 years and is responsible for overseeing company Legislative, Regulatory, and Government Relations work at the state and federal level. Fran has a strong working knowledge of local government general fund tax laws and state and federal regulatory and legislative issues that impact local governments. He monitors, analyzes and leads company lobbying efforts related to legislation, state mandates, and regulatory changes and policies that affect client revenue streams. Fran currently serves as a member of the League of California Cities Revenue and Taxation Policy Committee and is a Past President of the League of California Cities League Partner Program. Fran is a Regent Emeritus of the University of California and a member of the Board of Trustees of the California City Management Foundation.

**Rachelle Arizmendi, Account Executive**

As Avenu's Account Executive to the City, Rachelle will serve as the main point of contact and ensure the project goes smoothly. Rachelle has over eight years of experience in local government as an elected official serving two years as Mayor. She has over twenty years' experience in all levels of government (federal, state, county, and city) contact management and service delivery. Rachelle has served as on the Board of Directors for the CA League of Cities, on the Board of Directors for the League of CA Cities' Asian Pacific Islander Caucus and Women's Caucus, Board Chair for the Foothill Workforce Development Policy Board, and as a Board Officer on several non-profit Boards. She will be the point of contact for the Town and Avenu.



---

## C. SCOPE OF SERVICES

### SCOPE OF WORK TO BE PERFORMED

Below is a description of the approach and methodology for the three requested programs/services: Utilities User Tax (UUT) Program, Franchise Fee, Transient Occupancy Tax Compliance Audit, Business License Tax (BLT) Compliance Audit, and Payment Processing Services.

Avenu is including an Annualized Subscription for a Comprehensive Audit Plan that *INCLUDES* UUT (Utility User Tax) program, Franchise Fee Program, Transient Occupancy Tax (TOT), Audit BLT (Business License Tax) Program, Local Tax Compliance (Discovery and Recovery) of Business Licenses, and Payment Processing for an Annual Subscription Fee.

#### C.1 UTILITIES USER TAX (UUT) PROGRAM

Avenu's Utility Users Tax (UUT)/Franchise Fee service monitors and reviews more than 70 percent of UUT revenues in California. To date, this service has recovered more than \$300 million in revenues for our California clients. We monitor the utilities of gas, electricity, and telecommunications, (wired, wireless and Prepaid Wireless).

We accomplish this through our team of analysts, auditors, attorneys, and project managers who analyze, manage, and protect UUT revenues. Our discovery methods and enforcement tools assure that utilities comply with tax regulations and remit the correct amounts, whether they are for natural gas, electricity, or telecommunications and video utilities.

We further protect future revenue by remaining current on pending legislation, new technologies and recommending ordinance changes. Any statutory requirement for third-party review of UUT payments is met through Avenu.

#### C.1.2 Compliance

Avenu will provide the following Compliance Activities:

- 1. UUT Tax Application Review.** Avenu will conduct a "focused" compliance review of the major service providers on behalf of one or more cities to assure that the provider's "tax application" matrix reflecting all the provider's current products and service, is being taxed properly, for the benefit of City and other client cities.
- 2. UUT Payment Review.** Identification of possible gaps in payments, irregularities, calculation mistakes (e.g., wrong tax rate), and other payment

---

errors to the City, provided that the City provides Avenu with regular UUT payment history. Avenu will assist the City with the appropriate compliance correspondence and enforcement actions.

- 3. Comparative Analysis of UUT Payments.** Avenu will periodically perform a comparative analysis of a service provider's UUT payments to the City with other neighboring or comparable client cities, after adjusting for rate, population, and median household income. Avenu will also perform a comparative analysis of the franchise and UUT payments for gas and electricity.
- 4. Detection.**
  - ▶ Avenu will annually update its proprietary database of "new telecom service providers" and send out a PUC 799 notice letter to such new providers on City's behalf. The current list exceeds 1,500 providers.
  - ▶ Avenu will annually update its proprietary database of new "video service providers" and send out a notice letter to such new providers on City's behalf.
  - ▶ Avenu will annually review the SB 278 lists of the major gas and electric companies to identify new non-core gas and direct access electric customers, as well as new third-party providers, and take appropriate steps to assure that the UUT is being applied to "commodity" purchases.
- 5. Exemption Review.** Avenu will periodically review the exemption lists of the major service providers regarding non-residential customers.

**City-Specific Compliance Reviews.** At City's option, Avenu will offer "City-Specific" reviews of UUT and/or Franchise Fees on a performance fee basis, if the above activities or other factors (e.g., non-response by utility provider) would suggest that there is a reasonable

### **C.1.3 Administration**

- 1. UUT Payment History.** Avenu will provide the City, on a monthly or otherwise mutually agreed upon basis, with a spreadsheet reflecting the City's UUT payments by provider and utility category (based on remittance data provided by City to Avenu).
- 2. Prepaid Wireless (SB1441) Monitoring and Analysis.** For direct sellers, Avenu will monitor the monthly prepaid wireless payments and perform a comparative analysis with similar cities to determine accuracy and identify any potential discrepancies. For major direct sellers, Avenu will perform a tax application review under Item 1 above. We will identify online prepaid wireless sellers and send an annual notice letter to ensure compliance with SB1441. Avenu will engage and follow-up with the California Department of Tax & Fee Administration (CDTFA) on any issues, problems and discrepancies affecting



the City's prepaid wireless revenue collections by retail sellers, including online sellers, to the extent that Avenu has access to CDTFA documents through a City resolution authorizing Avenu to have such access.

3. **UUT Website.** Prepare and maintain an accurate copy of the City's UUT ordinance and its administrative rules and interpretations on the [uutinfo.org](http://uutinfo.org) website, including a link to the City's web page (if desired). Model forms for exemptions and remittances, administrative rulings, and other tax compliance documents will be maintained on the [www.uutinfo.org](http://www.uutinfo.org) website.
4. **Revenue Forecasts and Management Reports.** Avenu will provide an annual report that outlines the year's activities in review, revenue forecasts, year-over-year (YOY) comparison charts and revenue generated from compliance activities. This report contains an analysis of UUT revenues, and a five-year revenue forecast on each of the utility business segments (electric, gas, CATV, wired telecom, wireless telecom, etc.).
5. **Tax Application and Geocode Inquiries.** Avenu will provide technical assistance to City staff and provide timely analysis and draft responses to tax application inquiries from utility companies and will assist in responding to citizens regarding their utility bills and the computation of the UUT. Avenu will assist City and the utility service providers in correcting geocoding errors in response to taxpayer complaints.

#### C.1.4 Revenue Protection

1. **Legislative Review Services.** Avenu will monitor proposed state and federal legislation to identify issues affecting the City's UUT or utility franchise revenues and, make recommendations to client cities, their lobbyists, and other potential stakeholders or municipal advocates and otherwise assist in developing effective consensus positions and coordinated advocacy.
2. **Technology and Marketing Analysis.** Avenu will identify, monitor and anticipate changes in technology, services, or marketing of services, which may have an impact on future UUT revenues.

#### C.1.4 Enhancement Services

##### 1. UUT Ordinance Advisory Services

- ▶ Analysis and recommendation (including drafting amendment language) on proposed state and federal legislation.
- ▶ Assistance with tax application issues, including taxation of new technologies or services; including preparation of Administrative Rulings.
- ▶ Assistance on issues involving "bundling rule" and tax allocation/apportionment.

- ▶ Assistance on nexus issues (re: tax application and collection).
- ▶ Review of city's tax info/forms on uutinfo.org.
- ▶ Assistance on Voluntary Disclosure Agreements (offers to compromise owed taxes).
- ▶ On request, review of exemption status of individual utility user.

## **2 .UUT Legislative and Regulatory Review Services**

Avenu will monitor proposed state and federal legislation to identify issues affecting the City's UUT or utility franchise revenues, and, if justified, make recommendations to the City and its lobbyists. Our Government Relations team works in collaboration with representatives from the League of California Cities, the California Society of Municipal Finance Officers, the California Municipal Revenue Tax Association, Special Districts Association, City advocates, utility providers, the Public Utilities Commission, CDTFA, BOE, and others.

Our team will work with the City for the protection of revenues including advocacy efforts on Federal bills affecting taxation of broadband telecommunication networks; taxation of wireless services; and taxation of on-line sales and certain digital goods. Avenu is a Business Partner with the US Conference of Mayors allowing further access to policy decision makers and stakeholders on revenues issues, especially on Federal proposals. Our Government Relations team manages its communication with clients through a strong public relations program and provides crisis assistance on policy matters.

### **C.2 Franchise Fees Auditing and Consulting**

In general, Avenu's Franchise Fee reviews are designed to verify that our clients have received the appropriate franchise revenues due for any eligible audit periods. We obtain and review available documents, reports, work papers, and any prior reports concerning franchise fee computation, review franchise agreements or governing ordinances/regulations relating to the jurisdiction's franchise fees and analyze the customer base to verify that customers are correctly coded to the proper jurisdiction, that the utilities are properly interpreting and applying the levies to their revenues, and that the utility providers' reporting strategies are appropriate for the intended purpose, scope and application of the governments' tax and fee levies.

Avenu brings to this project:

- ▶ A team of qualified and experienced tax attorneys, CPA's, tax examiners, and audit specialists devoted specifically to auditing utility taxpayers for local utility tax and franchise fee compliance.
- ▶ Experience in auditing utilities of all types, of all sizes, and in jurisdictions throughout the country.
- ▶ An exclusive focus on our local government client base, with no potential for conflict of interest.

- ▶ The resources necessary to initiate the project immediately upon award and schedule multiple concurrent audits as necessary.

### **C.2.1 Timeline**

We anticipate each Franchise Fee audit will take 125 hours to complete and our project schedule is outlined below. Upon mutual agreement, Avenu will begin scheduling specific compliance reviews within 30 days of the execution of a contract with the City. Although we can assure the City of sufficient auditing resources to initiate these reviews without delay on our part, the actual start date and time to completion for any given engagement will be largely dependent upon the timely cooperation of the franchise provider under review, as well as the complexity of the actual review, and the time required to resolve any post-audit issues that the franchise provider may raise regarding the results reported.

Because our experience has been that audit engagements proceed at an uneven pace, such that records are not always available from the franchisees at the time we are ready to examine them, we recommend to the City a timetable in which we would contact all franchisees selected for review as soon as possible after contract execution. We will advise the utilities that we are authorized to review their records on behalf of the City and request appropriate documentation. Reviews of individual franchisees can then proceed concurrently, as quickly as the franchisees are willing and able to provide the documentation necessary for our examiners to begin their review.

### **C.2.2 Process & Deliverables**

Avenu starts with a review of franchise agreement where we look for completeness, accuracy, and that all monies are appropriately submitted to the city. Steps we take include:

- ▶ Compare the franchisee's payments, exclusions, and other computations related to the franchise agreement, or relevant state law.
- ▶ Compare the actual payments made to the city for timeliness and accuracy
- ▶ Review findings with providers and obtain the franchisee's position on the findings
- ▶ Report and present the results, potential monies due, and any penalties and interest
- ▶ Provide supporting documents to assist the city to collect underpaid franchise fees

### **C.2.3 City Assistance**

Avenu will require letters of authorization from the city clearly establishing our authority to conduct examinations on the city's behalf. We also require copies of franchise agreements, any amendments or subsequent agreements relating to franchise fee collection, any prior reports prepared by the internal or external auditors concerning how fees are calculated, and a five-year history of franchise payments made by the franchisee.

### **C.2.4 Legislative and Regulatory Review Services**

Avenu/Avenu will continue to monitor proposed state and federal legislation to identify issues that might affect the City's utility franchise revenues, and, if justified, make

recommendations to the City and its lobbyists. Our Government Relations team works in collaboration with other stakeholders including representatives from the League of California Cities, the California Society of Municipal Finance Officers, the California Municipal Revenue Tax Association, Special Districts Association, City advocates, utility providers, the Public Utilities Commission, CDTFA, BOE, and others. In addition, our team provides advocacy efforts on Federal bills affecting franchise fees and taxation of broadband telecommunication networks; taxation of wireless services; and taxation of on-line sales and certain digital goods. Our Government Relations team manages its communication with clients through a strong public relations program and provides crisis assistance on policy matters.

### C.3 Transient Occupancy Tax (TOT) Audit

The goal of the Transient Occupancy Tax (TOT) compliance audit service program is to ensure successful, long-term compliance for lodging establishments that operate in the City. The TOT inventory and compliance services cover **traditional lodging properties (hotels, motels, inns)** and **online short-term rentals/vacation rental properties (such as Air BnB, VRBO, etc.)**.

#### C.3.1 Analysis - Phase 1

The program is a single service consisting of a two phase process. The TOT Compliance Services workplan and project schedule for the program are outlined below:



Figure 2 - Transient Occupancy Tax Audit - Phase 1

- 1) **Inventory.** Establish a comprehensive inventory of all registered lodging properties subject to taxation by the City. This DOES NOT include locating lodging providers not properly registered with the City and not appearing on the City rolls as TOT remitters unless specifically agreed to.
- 2) **Data collection.** Conduct unobtrusive collection of information on each property, including number of rooms, occupancy rate, transient and non-transient guests, exemptions, property’s condition, business dynamics, etc.
- 3) **Analysis.** Analyze lodging provider “return information” to identify unusual or suspicious reporting and/or activities that warrant further review.
- 4) **Reporting.** Provide a detailed analysis report to the City identifying lodging providers who might require additional investigation or review to determine their compliance with the City’s TOT ordinance and coordinate with the City to review the analysis report.

- 5) **Identify Phase 2 reviews.** Work with the City to develop a list of lodging providers subject to a compliance review of lodging and tax records.

### C.3.2 Audit and Compliance Review - Phase 2



Figure 3 - Transient Occupancy Tax Audit - Phase II

- 1) **Records.** Provide the City with a detailed list of all records required from lodging providers, together with a draft engagement announcement letter to be sent to each lodging provider.
- 2) **Examine & Verify.** Review records pertaining to TOT for each lodging provider selected for a compliance review and verify the accuracy of filed TOT returns with daily and monthly activity summaries.
  - a) Review a random sample of the daily and monthly summaries to determine if the daily summaries reconcile to the monthly summaries.
  - b) If Avenu believes such a review is necessary, review secondary and tertiary documentation such as bank statements to verify that deposits reconcile with the reported revenue on the TOT returns or other tax filings.
  - c) Review exempted revenue for proper supporting documentation.
- 3) **Compliance Report.** Submit and review with the City a compliance review report that includes:
  - a) All review findings.
  - b) Documentation for each error/omission identified and confirmed by Avenu that is necessary to facilitate recovery of revenue due from lodging providers for prior periods.
  - c) Draft notices of deficiency determination, commendation, and warning letters as applicable.
- 4) **Findings.** Assist the City in reviewing any matters submitted in extenuation and mitigation by lodging providers in contesting a deficiency determination. Prepare and document any changes to the compliance review findings and provide revised tax, interest or penalty amounts due the City.
- 5) **Consulting.** During the term of this Agreement, provide up to ten (10) hours of additional consulting time to assist the City in evaluating or implementing any of the proposed actions suggested by the above report.

Avenu generally follows the below notional schedule for each TOT project:

#### 1. Start-up of TOT Audit Process (within first 30-60 days)

- a. Procedural meeting with the City
- b. Request Documentation from City

- List of all properties registered within the City
- 36 Months of Returns for all properties (or properties City selected)
- Current TOT and STR/Vacation Rental Ordinance and any related information

**2. Property Review of Hotels Selected for Audits (within 90 days)- Phase 1**

- a. When Avenu receives the returns, Avenu enters the data into worksheets to develop trends, property comparison, exempt rent to gross rent variation, etc. Avenu will research the statistics on the City and properties. Based on this data, Avenu selects specific properties for audit (if the City hasn't requested specific properties).
- b. Avenu will submit to the City an Audit Report identifying the properties and reasons they were selected.
- c. Auditors will contact the City for a brief conference call to discuss the audit timeline.
- d. Once the City approves the hotels selected for audits, Avenu will forward the City Announcement Letter Template that needs to be mailed to the properties on City letterhead. Once the City sends out the letters to the properties, Avenu requests City send Avenu a copy of the signed letters.

**3. Start-up of TOT Audits (30 days later)**

- a. Once the timeline has been approved, Avenu issues an Appointment Letter with a list of required information. Avenu allows each property a minimum of 30 days of preparation time before the audit meeting.

**4. Remote Audits (8 weeks later)**

- a. Conduct a review on specifics of each property to determine/confirm number of rooms, any special requirements and any other charges to which guests may be charged.
- b. One week after the Appointment Letters are mailed, contact hotel operator to confirm date and time of remote audit online/phone meeting, explain procedures, and request data for sample months selected (such as Property Management System, Month End Reports, Profit & Loss Statements, Exemption Reports, etc.).
- c. Conduct remote review.

**5. Provide Final Audit Report to the City (30 days following completion of audit program)**

- a. Auditors will submit (via email) all the Commendation/Deficiency Letters that need to be submitted to the hoteliers by the City.
- b. City will receive an electronic copy of the Final Audit Report.



---

#### **C.4 BUSINESS LICENSE TAX (BLT) Program**

Compliance Review and Tax Audit-Deficiency Audit Services are designed to identify entities subject to taxation by the City that are not properly reporting the full amount of tax which they are subject to under the City's ordinances.

Deficiency Audit Services also identifies entities that are potentially underreporting, or not reporting all applicable taxes. Avenu reviews entity's records to ensure compliance with the City's taxes. In performing the Deficiency Audit Services, Avenu shall:

- ▶ Establish a comprehensive inventory of the licensed entities subject to taxation by the City and the database elements needed to facilitate an analysis of records of those entity's current and prior year's tax remittance
- ▶ Compare Avenu' records with the City's records to identify potential underreporting entities subject to taxation
- ▶ Meet with designated City staff to review and discuss potential audit candidates and mutually agree which entities will be subject to review. Only entities mutually agreed to by Avenu and the City to be reviewed shall be subject to Avenu' audit services.
- ▶ For potential under-reporting entities identified, Avenu shall obtain authorization from the City to conduct a review of the entities' records and determine the amount of tax due for current and prior periods (plus applicable penalties, where appropriate).
- ▶ Submit audit summaries (also referred to as "Deficiency Notice") to the City to permit the City to determine the amount of a deficiency owed, if any.

Avenu provides the City with audit progress reports to include the following:

- ▶ Status of work in progress, including copies of reports provided to taxpayers/intermediaries addressing each reporting error/omission individually, including where applicable the business name, address, telephone number, account identification number, individuals contacted, date(s) of contact, nature of business, reason(s) for error/omission and recommended corrective procedure
- ▶ Actual revenue produced for the City by Avenu services on a quarterly and cumulative basis
- ▶ Projected revenue forthcoming to the City as a result of Avenu audit service, specified according to source, timing, and one-time versus ongoing
- ▶ Alphabetical listing of all errors/omissions detected for the City by Avenu, including the account number, correction status, payment amount received by the City, period to which payment is related and payment type (e.g., reallocation, deficiency assessment) for each one.

The following is what we are requesting from the City to assist in this process

- ▶ We ask that the City provide electronic copies of License Payment History file, together with any other information necessary to compute billing for services, in electronic format, on a quarterly basis
- ▶ Use reasonable and diligent efforts to collect, or to assist Avenu in the collection of, deficiencies identified pursuant to this Agreement; and
- ▶ Notify Avenu within 10 days following receipt by the City of payments, if any, resulting from deficiencies identified by Avenu.

#### **C.4.1 Investigation and Discovery Services- Discovery and Recovery of Business License**

Avenu' Discovery and Recovery Services are designed to assist the City in locating tax and licensing revenue that it may not be receiving from all local businesses. Avenu provides detection, documentation, and correction of deficiencies, producing new revenue.

Our 16-terabyte database comprised of multiple data sources is unmatched in the industry and it provides the foundation for our exhaustive discovery program. Our team of compliance specialists work collaboratively with City staff to complement the City efforts by bringing more sophisticated technology, data, and dedicated investigations to recover missing revenue.

Avenu' proven Discovery and Revenue Recovery Program will:

1. Compare the City's existing taxpayer list(s) against various databases aggregated from disparate systems and resources to identify previously unknown businesses operating within the City without paying the appropriate fees.
2. Send notices to those businesses including an application packet approved by the City, advising them of their legal obligation to register and pay the appropriate fees in accordance with the City's ordinance.
3. Provide taxpayer support for taxpayers who may have questions regarding these forms, and pro-actively contact taxpayers until forms are returned or account status is resolved.
4. Verify information on each form received to ensure that all required information has been provided, that the fees due have been correctly calculated, and that payment in full has been made.

5. Perform preliminary research to verify that the gross receipts, number of employees, and number of locations declared on each application appear to be reasonable and appropriate for each business. Flag questionable applications for further contact, which may include telephone query, site visits, or referral of the taxpayer for detailed audit.
6. Disburse to the City all payments received, less our contingency fee. If applications are returned without payment or with insufficient payment, we invoice the taxpayer, monitor and pursue payment, and disburse to the City amounts received.

### **C.5 Payments Processing Services**

Avenu/Avenu's payment solution helps improve the city's government's payment options to increase efficiencies. Our innovative technology offers secure, online, in-person, phone, credit card, electronic check and contactless payment options.

The end-to-end solution, manages all payments in one centralized location, including accounting, permitting, licensing, and taxes.

## D. PRICING PROPOSAL

### D.1 ANNUAL SUBSCRIPTION

Services	UUT	Franchise Fee	TOT	Business License	Payments	Annual Fee
Year 1	-Review of UUT legislation and ordinance review. -Conduct UUT Compliance Audit	-Review Franchise Fee Agreements -Conduct FF Compliance Audit	-Conduct annual Hotel/Motel Audit Program	-Audit BL collections and remittance -Conduct Discovery and Recovery for BL Taxes	-Provide integrated and over the counter payment processing for ACH, Credit Card, and Debit.	\$50,000
Year 2	-Review of UUT legislation and ordinance review. -Conduct UUT Compliance Audit	-Review Franchise Fee Agreements -Conduct FF Compliance Audit		-Audit BL collections and remittance -Conduct Discovery and Recovery for BL Taxes	-Provide integrated and over the counter payment processing for ACH, Credit Card, and Debit.	\$50,000*
Year 3	-Review of UUT legislation and ordinance review. -Conduct UUT Compliance Audit	-Review Franchise Fee Agreements -Conduct FF Compliance Audit		-Audit BL collections and remittance -Conduct Discovery and Recovery for BL Taxes	-Provide integrated and over the counter payment processing for ACH, Credit Card, and Debit.	\$50,000*

\*A 5% increase will be applied each year (year over year) after Year 1.

## D.2 INDIVIDUAL FLAT FEE AND CONTINGENCY

Services	UUT
UUT Compliance & Legislative Review and Forecasting	.007 X UUT Revenue
UUT Compliance Audit Review	.007 X UUT Revenue PLUS 25% of Audit
Franchise Fee	\$2500 per audit or 25% of recovered fees
TOT	\$2500 per audit
Business License Audit	Greater of \$1500 or 25%
Discovery/Recovery Business Licenses	35%
Payments Processing	No fee to the City (All transactional fees covered by tax payer/fee remitter)