

**CITY OF HAMILTON  
PERFORMANCE AUDIT REPORT 2013-14  
UNLICENSED BUSINESSES  
FOLLOW UP**

<b>AUDIT SERVICES' RECOMMENDATION</b>	<b>MANAGEMENT ACTION PLAN</b>	<b>FOLLOW UP (JANUARY 2016)</b>
<p>1. That Licensing investigate the discrepancies identified as a result of this review and initiate actions to license all businesses that are currently operating without a license.</p>	<p>Agreed in principle but not practical. Based on other safety related priorities and on the current staffing levels (internal administration as well as Licensing and Permit Officers), current workload and technology improvements required in the AMANDA database, this investigation and enforcement cannot be undertaken without additional FTEs – AMANDA support, Licensing and Permits Officers and Administrative staff. As noted in the report above, not all of the 684 potential business licenses are likely to be obtained due to use not permitted under zoning, Building Code constraints, criminal record checks, Public Health Inspection, Fire Inspection, etc. However, the determination can only be completed where staff resources are available to undertake the work.</p>	<p>Completed. Management was provided an additional Licensing and Permits Officer to review the list of potentially unlicensed businesses identified from the review at an incremental cost of \$5,200 to the City.</p> <p>Action was taken against 18 businesses operating without a license. Annual licensing fees and one-time set up fees amounting to \$3,300 has been collected.</p> <p>An additional \$1,300 of revenue is pending collection from 6 other businesses.</p>

**UNLICENSED BUSINESSES  
 FOLLOW UP - JANUARY 2016**

<b>AUDIT SERVICES'                      RECOMMENDATION</b>	<b>MANAGEMENT                      ACTION PLAN</b>	<b>FOLLOW UP                      (JANUARY 2016)</b>
<p>2. That similar analysis as was performed in this review using existing software capabilities to uncover potentially unlicensed businesses be carried out annually.</p>	<p>Agreed in principle but not practical. Based on current staff levels (internal administration as well as Licensing and Permit Officers), current workload and technology improvements required in the AMANDA database, this investigation and enforcement cannot be undertaken without additional FTEs.</p>	<p>Alternatives Implemented. Management has incorporated the following initiatives into current operations to uncover and investigate potentially unlicensed businesses:</p> <ul style="list-style-type: none"> <li>• Regular meetings with other Divisions within the City;</li> <li>• Review smaller lists of businesses generated by other Divisions; and</li> <li>• Proactively patrolling the community for unlicensed businesses.</li> </ul> <p>Management has not tracked all successes and realized licensing revenue generated from these initiatives. Based on examples provided to Audit Services, it is estimated that at least an additional 32 establishments were or will be licensed resulting in \$7,600 of annual licensing and one-time set up fees.</p> <p>Management has indicated that a new process was put in place in 2016 to track the proactive enforcement of unlicensed businesses.</p>

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<b>AUDIT SERVICES' RECOMMENDATION</b>	<b>MANAGEMENT ACTION PLAN</b>	<b>FOLLOW UP (JANUARY 2016)</b>
<p>3. That a common address database be developed in conjunction with Licensing, Public Health, Fire Services and Taxation. Initial activities should include the use of common nomenclature to enable efficient search capabilities (e.g. using N for North, St. for Street, etc.). The recommended nomenclature changes should be incorporated into the future Amanda upgrade project. A common database employed by multiple users would provide more efficiencies throughout the City departments.</p>	<p>Disagreed. Each area has a database which is proprietary to their specific operational needs. Although there has been some data conversion for Hansen and AMANDA, it is understood that this is a corporate priority beyond that which can be resolved solely by Parking and By-law Services.</p>	<p>Not Applicable. Management disagreed with the original recommendation so no further follow up work was required.</p>

**UNLICENSED BUSINESSES  
FOLLOW UP - JANUARY 2016**

<b>AUDIT SERVICES' RECOMMENDATION</b>	<b>MANAGEMENT ACTION PLAN</b>	<b>FOLLOW UP (JANUARY 2016)</b>
<p>4. That the cost recovery analysis be completed and, as a minimum, the license fees be increased according to the Business Licensing Fee Review Report presented to the Planning and Economic Development Committee on August 14, 2012. This action would continue to close the gap between the licensing expenses incurred and the revenue being collected in order to achieve full cost recovery in accordance with the provisions of the <i>Municipal Act, 2001</i>.</p>	<p>Agreed in principle. However, prior Council direction did not support full cost recovery for all business license fees. In March 2012, in response to a Council direction for business license fees to be based on full cost recovery, a report was presented to Planning Committee with the proposed fees. Planning Committee approved full cost recovery for 24 of 91 business license categories and directed staff to review a phase-in plan for the increase in fees. Recommendations for cost recovery of business license fees have been presented to Planning Committee on August 14, 2012, January 15, 2013 and September 17, 2013 which have resulted in the first three years of the five year equal fee increase phase-in having been approved. The last report also recommended holding off on any further increases until such time as this audit report was completed.</p>	<p>Initiated. Management has initiated a review of fees outlined in the Business Licensing By-law, which includes analysis pertaining to cost-recovery.</p> <p>Expected Completion: October 2017.</p>

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 FOLLOW UP - JANUARY 2016**

<b>AUDIT SERVICES' RECOMMENDATION</b>	<b>MANAGEMENT ACTION PLAN</b>	<b>FOLLOW UP (JANUARY 2016)</b>
<p>5. That the City of Hamilton consider eliminating the multiple establishment license type and require that businesses purchase licenses for each type of licensable activity that the businesses operate.</p>	<p>Disagreed. This disagreement is based on the fact that this type of license (multiple establishment) was recently implemented (2009) and that there has been resistance to obtaining full cost recovery. A report was presented to Planning Committee in January 2009 which recommended to Council that multiple licenses for businesses associated with the same business only be charged the higher license fee and any inspections fees, with the exception of tobacco vendor license. Based on Council not approving full cost recovery of the business license fees for all categories and the Council discussion that the fees seem high for small businesses, it would be difficult to recommend the additional costs to a business at this time.</p>	<p>Not Applicable. Management disagreed with the original recommendation so no further follow up work was required.</p>