



Austin City Council

Mayor
Will Wynn

Mayor Pro Tem
Jackie Goodman

Council Members
Daryl Slusher
Raul Alvarez
Betty Dunkerley
Brewster McCracken
Danny Thomas

City Auditor
Stephen L. Morgan

Deputy City Auditor
Colleen Waring

Audit Report

SALES TAX 2005: DATA RELIABILITY

May 2005

Office of the City Auditor
Austin, Texas

Audit Team

Niki Raggi

Assistant City Auditor

Corrie Stokes, CIA, CGAP

Additional Contributors

UT McCombs School of Business Student Team

Mary Haney

Jennifer Linwood

NOTE: This report reflects clarifications made on October 6, 2005. Changes are not substantive to original findings.

A full copy of this report is available for download at our website:
<http://www.ci.austin.tx.us/auditor/reports>. You may also contact our office by email at
oca_auditor@ci.austin.tx.us.
Please request Audit No. AU05102.

OCA maintains an inventory of past audit report copies and we encourage you to return any unwanted hardcopy reports to our office to help us save on printing costs. Please mail to:
P. O. Box 1088, Austin, Texas 78767-8808.

Alternative formats are available upon request.
Please call (512) 974-2805 or Relay Texas #711.



Printed on recycled paper



City of Austin



Office of the City Auditor

301 W. 2nd Street, Suite 2130
P.O. Box 1088
Austin, Texas 78767-8808
(512) 974-2805, Fax: (512) 974-2078
email: oca_auditor@ci.austin.tx.us, website: <http://www.ci.austin.tx.us/auditor>

Date: May 24, 2005 (minor revisions made on October 6, 2005)
To: Mayor and Council
From: Stephen L. Morgan, City Auditor
Subject: 2005 Audit Report on Sales Tax

I am pleased to present this audit report on sales tax data reliability, which is part of our office's ongoing focus on revenue accountability. The purpose of this audit was to determine whether all businesses in Austin's jurisdiction were allocated to the City of Austin in the State's sales tax database and to review the City's controls over the sales tax data.

Results of this audit show that some problems with allocation to the appropriate jurisdiction in the State Comptroller's Office sales tax data are ongoing. Additionally, in our review of the sales tax collection and allocation process, we found that controls could be improved to ensure that businesses applying for sales tax permits are allocated to the appropriate taxing jurisdiction. The State Comptroller's Office has indicated that they have an ongoing effort to implement an automated tax jurisdiction system to ensure that current and future business locations are correct.

From our testing of over 55,000 businesses, we identified 168 businesses within Austin's jurisdiction that are currently not allocated to the City of Austin in the State Comptroller's Office sales tax database. Since under State law the City is not allowed to access payment information related to individual businesses, the potential monetary impact cannot be determined. We have provided the list of the businesses identified to the State Comptroller's Office for correction.

We have issued one recommendation intended to create compensating controls within the City to ensure that new businesses within Austin's jurisdiction are properly allocated to the City in the State Comptroller's Office sales tax database.

We appreciate the cooperation and assistance we received from the State Comptroller's Office and staff of the City's Financial and Administrative Services Department during this audit.

Stephen L. Morgan, CIA, CGAP, CFE, CGFM
City Auditor



ACTION SUMMARY SALES TAX 2005: DATA RELIABILITY

Rec. #	Recommendation Text	Management Concurrence	Proposed Implementation Date
01	<p>The Chief Financial Officer should assign responsibility within the Financial Services Department for regularly monitoring sales tax information in order to identify misallocated businesses in the State Comptroller's Office database in a timely manner. Specifically, this responsibility should include:</p> <ul style="list-style-type: none">• Regular monitoring of new permits issued to businesses located in and around Austin to determine whether they are allocated to the appropriate jurisdiction, and• Periodic review of available sales tax information.	Concur	September 2005

TABLE OF CONTENTS

Background.....	1
Objectives, Scope and Methodology	3
Audit Findings	5
APPENDICES	
Appendix A: Management Response.....	11
Appendix B: Sales Tax Permit Application Form	15
Appendix C: FY 04 Estimated Revenue Loss for Misallocated City of Austin Businesses.....	23
Appendix D: Misallocated Businesses by Standard Industrial Classification	27
Appendix E: Letter from the State Comptroller’s Office	33
EXHIBITS	
Exhibit 1 Sales Tax Application and Allocation Process	2
Exhibit 2 Summary of Testing Steps Performed on SCO Data	4
Exhibit 3 Locations of Misallocated Businesses	5
Exhibit 4 Age and Status of Misallocated Businesses	6

BACKGROUND

The State Comptroller's Office is responsible for administering the collection and allocation of sales tax revenues to municipalities. As required by State law, the City of Austin pays the State a two percent collection fee for this service. For fiscal year 2004 (FY 04) sales tax revenues of approximately \$118 million, this fee amounted to approximately \$2 million.

A description of the flow of information, from receipt of the sales tax permit application, to data entry in the sales tax database, and allocation to the City is shown in Exhibit 1 on the following page.

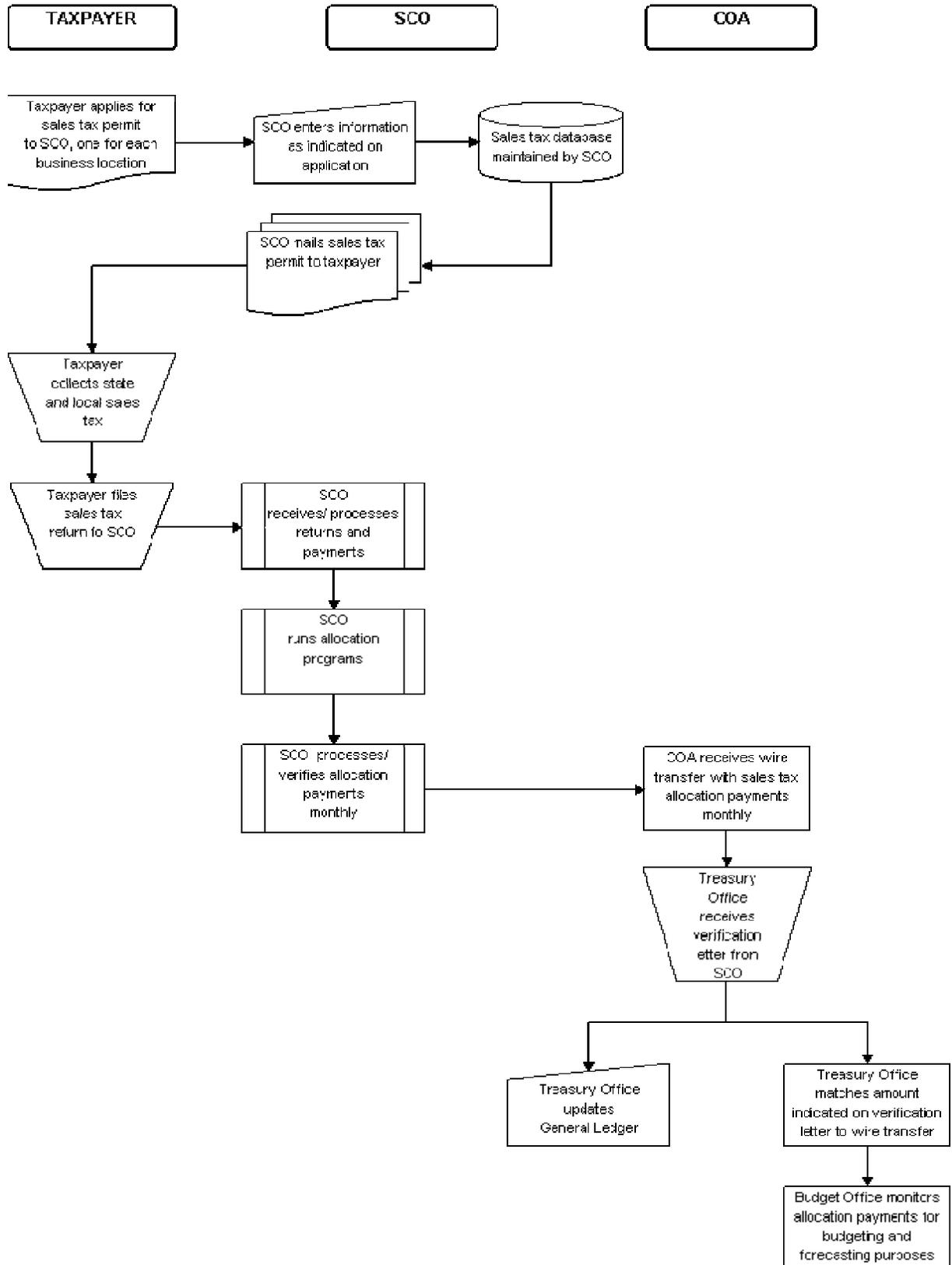
Under State law, municipalities with a population of more than 275,000 are not allowed to access sales tax payment information related to individual businesses; however, upon request, local jurisdictions can obtain from the State Comptroller's Office reports from the sales tax database listing information on known taxpayers such as business name and location, whether the business is located inside a city's limits, and under whose taxable jurisdiction(s) the business is located. The business location is the basis for the allocation of the local portion of sales tax.

This audit is one in a series of audits conducted by the Office of the City Auditor (OCA) designed to optimize sales tax revenues. Previous audits on sales tax identified concerns with the reliability of the State Comptroller's Office (SCO) data associated with the collection and allocation of sales tax from eligible businesses for the City of Austin and the need to create compensating controls in the City. Specifically, previous audit work focused on the following:

- Businesses in all Austin-area zip codes not allocated to the City of Austin as of September 2002;
- Businesses located in areas annexed by the City of Austin between 1997 and 2001 not credited to the City of Austin in a timely manner following annexation; and
- Businesses located in eight selected zip codes potentially missing from the tax roll.

This particular audit focuses on testing all active and inactive businesses located in 45 Austin-area zip codes that were not allocated to Austin in the SCO database. Additionally, we focused on correcting inaccurate addresses for businesses located in Austin. This work is intended to yield a "clean" universe of records so that the City of Austin can begin using an ongoing strategy to monitor the reliability of sales tax data maintained by the SCO.

**EXHIBIT 1
Sales Tax Application and Allocation Process**



SOURCE: OCA analysis of SCO and COA processes.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

Our objectives for this audit were to:

1. Verify that all businesses within Austin's jurisdiction that offer taxable goods or services are properly allocated to Austin in the State Comptroller's Office sales tax database; and
2. Identify where controls are missing with regards to sales tax collection and allocation process.

Scope

We reviewed data regarding businesses located in and around Austin's jurisdiction which provide taxable goods or services. Specifically, we looked at data from the State Comptroller's Office sales tax database as of March 9, 2005 that included:

- Businesses located in 45 zip codes covering the Austin area, with the exception of 184 businesses located in the 78746 zip code, which fall within several taxable jurisdictions and have been recently reviewed for allocation appropriateness by SCO.
- All known active businesses as well as businesses that have gone out of business within the past four years. Per State law a jurisdiction can be credited with up to four years of back taxes.

We did not audit the State Comptroller's Office or their internal controls.

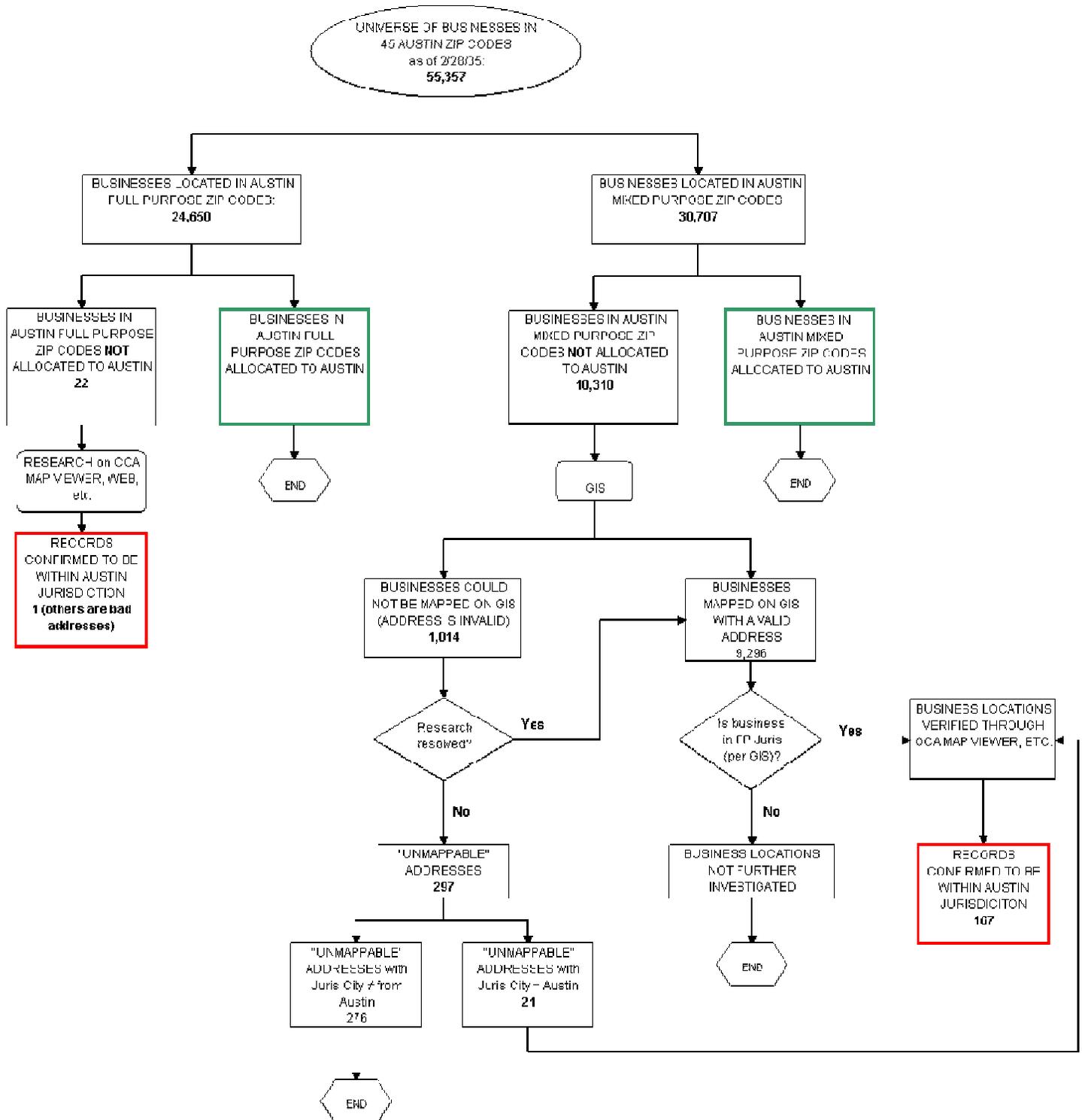
Methodology

In order to perform our audit work, we used various methods, including:

- Interviewing State and City staff
- Researching State and City law
- Testing the reliability of data from the State Comptroller's sales tax database for all 45 Austin zip codes. This comprises full purpose zip codes, which cover an area that is entirely within Austin, and mixed purpose zip codes, that cover an area that is partially in Austin and partially in surrounding jurisdictions or unincorporated areas.
- From the universe of businesses located in the 45 Austin zip codes, we extracted those records not allocated to Austin in the SCO sales tax database and focused on reviewing the allocation of those businesses. Our testing steps are summarized in Exhibit 2. These steps performed included:
 - Using the City's Geographic Information System (GIS) to check the jurisdiction of business locations;
 - Researching "unmappable" and invalid addresses using the City's Map Viewer, MAPSCO, and the internet to determine the appropriate jurisdiction of the business.

This audit was conducted in accordance with generally accepted government auditing standards. Chapter 7 of the government auditing standards requires that we consider risks due to fraud that could significantly impact our audit objectives. Although we did consider such risks related to sales tax reporting, we were unable to perform in-depth testing to identify potential fraud because State law prohibits our direct access to taxpayer data.

EXHIBIT 2
Summary of Testing Steps Performed on SCO Data



SOURCE: OCA analysis of SCO data, as of March 9, 2005.

AUDIT FINDINGS

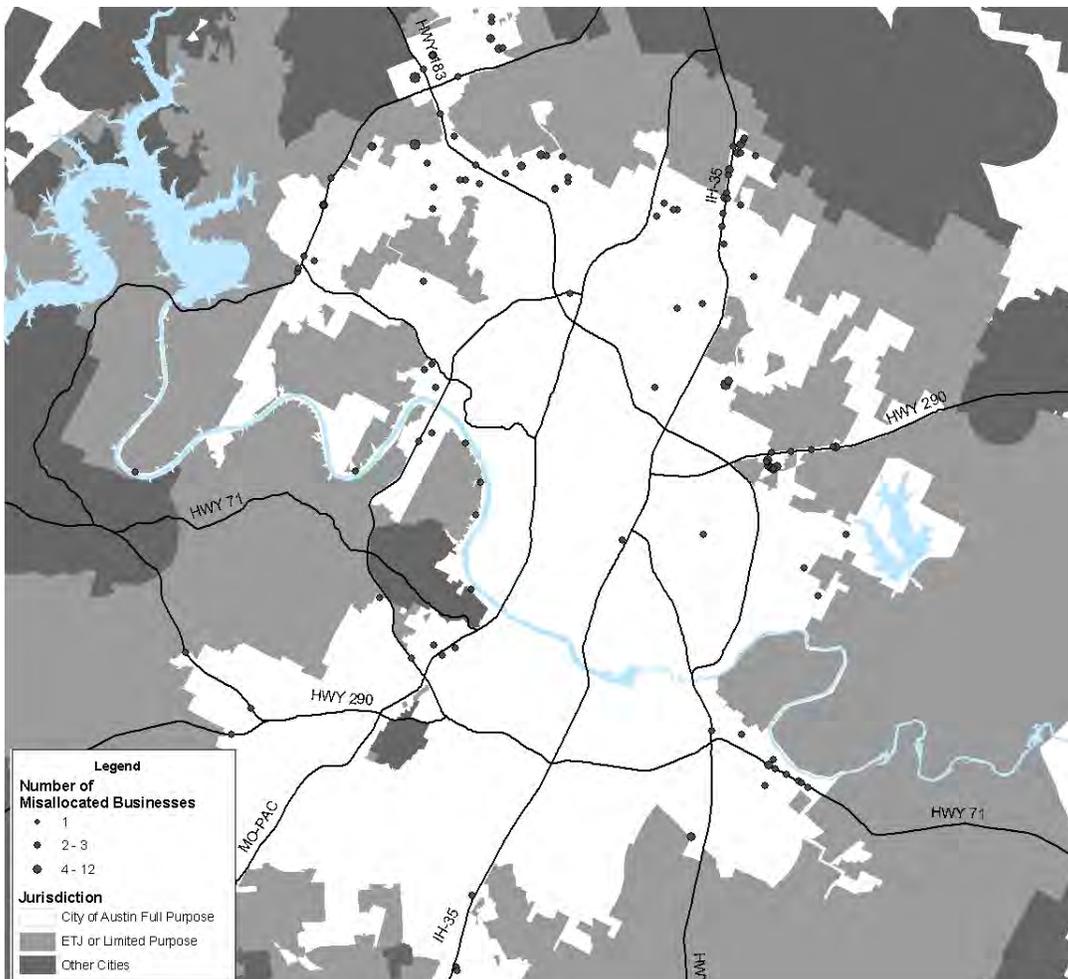
During this audit of sales tax allocation, we noted several businesses that are within Austin's city limits but are not allocated to Austin. We also identified many addressing problems, which limit our ability to verify the exact business location to determine whether the business is properly allocated to Austin. In addition, as we reviewed the sales tax allocation process, we found that controls could be improved both at the State Comptroller's Office and at the City of Austin to ensure that all businesses are allocated to the appropriate jurisdiction.

Audit work performed on sales tax records indicates that concerns about the allocation of the sales tax to Austin are ongoing.

Testing performed on businesses located in Austin zip codes indicated several inaccuracies including misallocation of businesses and inaccurate information regarding the business location.

Our work identified 168 businesses within Austin's jurisdiction that were not allocated to the City of Austin in the State Comptroller's sales tax database. Exhibit 3 shows the location, within the City of Austin, of the 168 misallocated businesses identified.

**EXHIBIT 3
Locations of Misallocated Businesses**



SOURCE: OCA analysis of businesses listed in City of Austin zip codes, from data provided by SCO, March 2005.

Examples of misallocated businesses identified include:

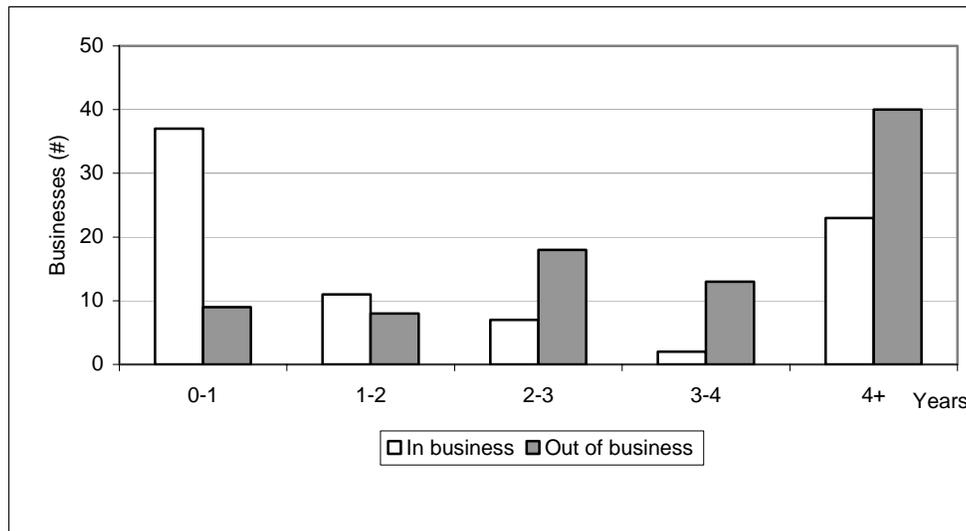
1. One business located in the heart of Austin (in Hancock Center, north of the University of Texas campus) erroneously recorded as being in Cedar Park.
2. Sixteen businesses located in Lakeline Mall. While the mall's postal address is Cedar Park, it is physically located in Austin and the local portion of sales tax should go to the City of Austin.
3. Several businesses located in the proximity of the city boundaries, such as on Highway 71, on Highway 290, along North Interstate 35, and on Westlake Drive, erroneously recorded as being outside the city limits.

Exhibit 4 shows the proportion of active and inactive misallocated businesses, along with how long these businesses have been operating. More than half of the businesses identified (88) are not operating any longer, but 80 are still operating and 37 of these locations became operational within the last year.

**EXHIBIT 4
Age and Status of Misallocated Businesses**

Age as of 3/1/05 (in years)	0-1	1-2	2-3	3-4	4+	Total	%
In business	37	11	7	2	23	80	48%
Out of business	9	8	18	13	40	88	52%
Total	46	19	25	15	63	168	100%

* The age is calculated from the permit issued date. For two businesses for which the permit issued date was not available, the age is based on the date of the first sale.



SOURCE: OCA analysis of businesses listed in City of Austin zip codes from data provided by SCO, March 2005.

Since under State law the City is not allowed to access payment information related to individual businesses, the monetary impact of the misallocated businesses cannot be determined. However, using FY 04 data from the State Comptroller's Office for annual average taxable sales for Austin businesses, we initially estimated that the potential revenue loss for FY 04 from the 37 misallocated businesses that were active for the entire fiscal year could be as high as \$300,000. Details on the calculation of this estimate can be found in Appendix C. However, SCO staff have subsequently advised us that the net revenue loss for FY 04 may be lower than this estimate. A letter from the State Comptroller's Office reflecting their perspective is included in Appendix E.

A large number of business records could not be mapped on GIS due to lack of a proper address. From the 9,296 businesses we were able to map, we identified 168 misallocated businesses. However, there were an additional 297 businesses that we were not able to map. Specifically, after the first try, 1,014 records could not be mapped due to invalid or unrecognizable addresses. After some research and address clean-up there were 276 businesses that still could not be mapped and, therefore, we could not determine whether they are correctly allocated. As mentioned above, the business location is key information, as it is the basis for the allocation of the local portion of sales tax.

Invalid addresses found include addresses that were incorrectly listed with an Austin zip code; businesses that provided directions instead of a legitimate address; addresses without a street number; and blank or unintelligible addresses.

Examples of invalid addresses are:

1. Business with a Waco address and Austin zip code (78701 instead of 76701)
2. Business with a Tyler address and Austin zip code (78704 instead of 75701)
3. West Ave # 175, Athens 78701 (should be HWY 175 West, Athens 75751)
4. IH-35 S QUITA RD 2ND HOUSE ON LEFT
5. HWY 175 NORTH SIDE 1293 FT WEST POST OFFICE
6. FM 2769 OFF FM 620
7. 9500 HWY EAST
8. ANDERSON MILL RD (no street number)
9. BARTON CREEK MALL (no street number)
10. AIR TERMINAL
11. 12403 Meadow Meadows (should be Mellow Meadows Rd)

Some invalid addresses could not be mapped to verify the exact business' location, even with extensive research. And although some of the directions serve SCO for locating the business for enforcement purposes, they make it difficult for the City to verify whether the business is allocated to the correct jurisdiction. Additionally, since taxpayer data obtained from SCO is typically by zip code, this may mean that the City does not receive records of those businesses recorded under the wrong zip code, and therefore cannot verify whether they are properly allocated to Austin. For example, an Austin business hypothetically entered into the sales tax database with the correct Austin address but a Dallas zip code would not show up among the businesses listed in the 45 Austin zip codes we reviewed and we would not be able to check its allocation.

Although the State Comptroller's Office has made corrections to properly allocate businesses based on our prior work, SCO has not made identified addressing corrections. This results in duplicate work for us, because these records appear in the list of businesses to research every time we review records not allocated to Austin from selected zip codes. During this round of work, we noted twenty records that had already been identified in previous audit work and brought up to SCO attention for correction. These records concerned "bad addressing" problems and were not records that should have been credited to Austin; however, they still present problems when reviewing the data.

Reasonableness tests of all records received from the State Comptroller’s Office showed other problems with SCO data, such as blank fields and illogical relationships between fields. For example, 1,168 businesses (approximately 2% of the businesses in the data set reviewed) had a blank “Permit Issue Date” field. While SCO staff explained that the permit issue date may be blank when a business is set up as “non-permitted”, we found some instances where the permit issue date was blank even if the business was permitted. Additionally, we identified four businesses located inside the city limits that are properly allocated to Austin in the sales tax database but recorded as being outside the city limits.

Controls could be improved to ensure that new businesses applying for sales tax permits are allocated to the appropriate taxable jurisdiction.

The State Comptroller’s Office stated that, at this time, they do not conduct front end reviews of business locations submitted from taxpayers. However, the SCO has indicated that they are presently working toward implementation of an automated tax jurisdiction system to ensure that current and future business locations are correct. In addition, the City does not perform routine back end reviews of sales tax data.

Taxpayers self-report their business location and jurisdiction on the sales tax permit application form, and there are no controls in place to check the validity of this self-reported information. Taxpayers are advised to verify their local sales tax responsibility upon receipt of the sales tax permit, as failure to do so can result in the taxpayer being assessed local sales tax not collected or remitted. However, SCO has not implemented an automated system to validate the business location or reported jurisdiction. While the SCO has a control in place to standardize the taxpayer mailing address, this control does not verify the business location address. In addition to the present lack of logical checks at the front end for reviewing business locations, SCO has also not implemented back-end review of the data to detect possible errors or blank field(s) in the sales tax database.

We found two records with a blank street address (but the city was indicated) and hundreds of records with an invalid business location address. Examples include:

1. CAPITAL OF TEXAS HIGHWAY (no street number)
2. 1705 S COTH STE 305 (should be 1705 S Capital of Texas Highway)
3. LAKE TRAVIS 620 NEAR MANSFIELD DAM
4. ROUND ROCK & MCNEIL (these streets do not intersect)
5. PO BOX 41623 (instructions on the sales tax permit application direct not to use PO BOX numbers)

With the exception of sporadic work performed by OCA, there is no entity within the City of Austin performing any compensating controls. Under the current statute the City is not allowed to access the breakdown of payments of sales tax, so allocations cannot be tied to the individual payment. However, there are a number of reports available online at SCO website, or upon request, that can be used to monitor sales tax information, such as allocation to the proper jurisdiction.

Our office has provided to the State Comptroller for correction, the names and location of businesses in the wrong taxing jurisdiction that should be credited to Austin and the names of the businesses located in Austin that have an invalid address that should be corrected. The corrections resulting from this and prior audits should make the information pertaining to Austin

businesses in the State Comptroller's Office sales tax database relatively reliable. However, to further guarantee that new businesses added to the database will be allocated to the appropriate taxing jurisdiction, increased attention by the City is needed.

Recommendations

01. The Chief Financial Officer should assign responsibility within the Financial Services Department for regularly monitoring sales tax information in order to identify misallocated businesses in the SCO database in a timely manner. Specifically, this responsibility should include:
 - Regular monitoring of new permits issued to businesses located in and around Austin to determine whether they are allocated to the appropriate jurisdiction, and
 - Periodic review of available sales tax information.

MANAGEMENT RESPONSE: Concur

The Financial and Administrative Services Department will begin a transition process in order to assume regular monitoring of the sales tax information.

**APPENDIX A
MANAGEMENT RESPONSE**



Memorandum

To: Steve Morgan, City Auditor

From: Jeff Knodel, Controller

Date: May 23, 2005

Subject: Response to Sales Tax Audit

The Controller's Office represents Management's response to the Sales Tax Audit presented on May 24, 2005. The Controller's Office concurs with the single recommendation and will work with the Office of the City Auditor to transition the review and monitoring process.

I can be reached at 974-2589 if you require additional information.

cc: John Stephens, Chief Financial Officer
Vickie Schubert, Deputy Chief Financial Officer

**ACTION PLAN
SALES TAX 2005: DATA RELIABILITY**

Rec #	Recommendation Text	Concurrence	Proposed Strategies for Implementation	Status of Strategies	Responsible Person/ Phone Number	Proposed Implementation Date
01	<p>The Chief Financial Officer should assign responsibility within the Financial Services Department for regularly monitoring sales tax information in order to identify misallocated businesses in the SCO database in a timely manner. Specifically, this responsibility should include:</p> <ul style="list-style-type: none"> • Regular monitoring of new permits issued to businesses located in and around Austin to determine whether they are allocated to the appropriate jurisdiction, and • Periodic review of available sales tax information. 	Concur	FASD will begin transition meetings with the City Auditor's staff that were responsible for developing and performing sales tax monitoring process.	Planned	Jeff Knodel, Controller 974-2589.	September 2005

APPENDIX B
SALES TAX PERMIT APPLICATION FORM

TEXAS APPLICATION

SALES TAX PERMIT

OFF-ROAD, HEAVY DUTY DIESEL
POWERED CONSTRUCTION
EQUIPMENT SURCHARGE

USE TAX PERMIT



FIREWORKS TAX

TELECOMMUNICATIONS
INFRASTRUCTURE FUND
ASSESSMENT

9-1-1 EMERGENCY COMMUNICATIONS

CAROLE KEETON STRAYHORN • TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

GENERAL INSTRUCTIONS

WHO MUST SUBMIT THIS APPLICATION - You must submit this application if:

- you are an individual, partnership, corporation, or organization engaged in business in Texas; AND
 - you are selling tangible personal property or providing taxable services in Texas to customers in Texas; and/or
 - you acquire tangible personal property or taxable services from out-of-state suppliers that do not hold a Texas permit;
- OR**
- you sell or resell telecommunications services, such as the electronic transmission of tax returns or other information, the provision of phone service for a charge to tenants or hotel guests, fax services, or paging services, or you are a telecommunications utility or a mobile service provider collecting and paying telecommunications receipts under Texas Tax Code, Chapter 151;
- OR**
- you are a telecommunications utility, a mobile service provider, or a business service user that provides local exchange access, equivalent local exchange access, wireless telecommunications connections, or intrastate long-distance service, and you are responsible for collecting emergency communications charges and/or surcharges under Texas Health and Safety Code, Chapter 771;
- OR**
- you collect tax on the retail sale of fireworks. (*You are required to charge both the sales tax and the fireworks tax.*)
- OR**
- you sell, lease, or rent off-road, heavy duty diesel powered construction equipment. (*You are required to charge both the sales tax and the surcharge.*)

DEFINITIONS -

- **SALES TAX PERMIT:** This permit is required for every individual, partnership, corporation, or organization who makes sales, leases, or rentals of taxable items in Texas. Permits are issued without charge.
- **SALES TAX BOND:** You may need to post a bond or other security for this permit. To determine the amount of bond or security required, complete a "Texas Sales and Use Tax Bond-Security Information," Form 01-707. Submit this application and Form 01-707 to avoid delay in receiving your permit.
- **USE TAX PERMIT:** This permit is required for every individual, partnership, corporation, or organization who makes sales, leases, or rentals of taxable items in Texas but does NOT have a place of business in Texas, AND for out-of-state contractors improving real property in Texas with tangible personal property purchased outside of Texas.
- **ENGAGED IN BUSINESS:** You are engaged in business in Texas if you or your independent salespersons make sales, leases, or rentals, or take orders for tangible personal property, or deliver tangible personal property or perform taxable services; or have lease (personal) property, a warehouse or other location in Texas; or benefit from a location in Texas of authorized installations, servicing or repair facilities; or allow a franchisee or licensee to operate under your trade name if they are required to collect Texas tax.
- **PLACE OF BUSINESS OR BUSINESS LOCATION:** Any store, office, or location where you receive orders for tangible personal property or taxable services or make sales, leases, or rentals of tangible personal property or taxable services at least three times or more in a calendar year. (*See Rule 3.286: State Sales and Use Tax Seller's and Purchaser's Responsibilities.*)

NOTE: If you have been making sales and have not applied for a permit, you will need to file returns and pay tax, plus applicable penalty and interest, for the period of time that you have been in business.

FOR ASSISTANCE - If you have any questions about this application, contact your nearest Texas State Comptroller's Office or call us toll free at 1-800-252-5555. The local number in Austin is 512/463-4600. The Tax Help E-mail Address is: tax.help@cpa.state.tx.us

AMERICANS WITH DISABILITIES ACT- In compliance with the Americans with Disabilities Act, this document may be requested in alternative formats by calling toll-free 1-800-252-5555. From a Telecommunications Device for the Deaf (TDD), our hearing impaired taxpayers may call toll free 1-800-248-4099, or they may call via 1-800-RELAY-TX. The Austin TDD number is 512/463-4621.

FEDERAL PRIVACY ACT - Disclosure of your social security number is required and authorized under law, for the purpose of tax administration and identification of any individual affected by applicable law. 42 U.S.C. §405(c)(2)(C)(i); Tex. Govt. Code §§403.011 and 403.078. Release of information on this form in response to a public information request will be governed by the Public Information Act, Chapter 552, Government Code, and applicable federal law.

If you are hiring one or more employees, please contact the Texas Workforce Commission at 512/463-2699 or your local TWC tax office to determine if you are liable for payroll taxes under the Texas Unemployment Compensation Act.

Complete this application and mail to:

COMPTROLLER OF PUBLIC ACCOUNTS
111 E. 17th Street
Austin, TX 78774-0100

Under Ch. 559, Government Code, you are entitled to review, request, and correct information we have on file about you, with limited exceptions in accordance with Ch. 552, Government Code. To request information for review or to request error correction, contact us at the address or toll-free number listed on this form.

SPECIFIC INSTRUCTIONS

Item 35 - You WILL be required to report interest earned on sales tax IF:

- you make retail sales of taxable items on an installment purchase plan or deferred payment plan; **AND**
- you charge interest on the entire balance, including sales tax, on the sale of taxable items made on installment purchases or deferred payment plans; **AND**
- you do your own financing on some accounts on which interest is charged; **AND**
- you include installment payments which were received during a reporting period in "TOTAL SALES" on your sales tax return for that period (i.e., you keep your records on a cash basis of accounting).

NOTE: *If any one of the statements above does **NOT** apply to your business, then you will **NOT** be required to report interest earned on sales tax.*

Below is a listing of taxes and fees collected by the Comptroller of Public Accounts. If you are responsible for reporting or paying one of the listed taxes or fees, and you **DO NOT HAVE A PERMIT OR AN ACCOUNT WITH US FOR THIS PURPOSE**, please obtain the proper application by calling toll-free 1-800-252-5555, or by visiting your local Enforcement field office.

TAX TYPE(S)	<p>9-1-1 Emergency Service Fee/Equalization Surcharge - If you are a telecommunications utility, a mobile service provider, or a business service user that provides local exchange access, equivalent local exchange access, wireless telecommunications connections, or intrastate long-distance service, and you are responsible for collecting emergency communications charges and/or surcharges, you must complete Form AP-201.</p> <p>Amusement Tax - If you engage in any business dealing with coin-operated machines OR engage in business to own or operate coin-operated machines exclusively on premises occupied by and in connection with the business, you must complete Form AP-146 or Form AP-147.</p> <p>Automotive Oil Sales Fee - If you manufacture and sell automotive oil in Texas; or you import or cause automotive oil to be imported into Texas for sale, use, or consumption; or you sell more than 25,000 gallons of automotive oil annually and you own a warehouse or distribution center located in Texas, you must complete Form AP-161.</p> <p>Battery Sales Fee - If you sell or offer to sell new or used lead acid batteries, you must complete Form AP-160.</p> <p>Cement Production Tax - If you manufacture or produce cement in Texas, or you import cement into Texas and you distribute or sell cement in intrastate commerce or use the cement in Texas, you must complete Form AP-171.</p> <p>Cigarette, Cigar and/or Tobacco Products Tax - If you wholesale, distribute, store, or make retail sales of cigarettes, cigars, and/or tobacco products, you must complete Form AP-175 or Form AP-193.</p> <p>Coastal Protection Fee - If you transfer crude oil and condensate from or to vessels at a marine terminal located in Texas, you must complete Form AP-159.</p> <p>Crude Oil and Natural Gas Production Taxes - If you produce and/or purchase crude oil and/or natural gas, you must complete Form AP-134.</p> <p>Direct Payment Permit - If you annually purchase at least \$800,000 worth of taxable items for your own use and not for resale, you must complete Form AP-101 to qualify for the permit.</p> <p>Fireworks Tax - If you collect tax on the retail sale of fireworks, you must complete Form AP-201. This is in addition to the sales tax permit. You are required to charge both the sales tax and the fireworks tax.</p> <p>Franchise Tax - If you are a non-Texas corporation or a non-Texas limited liability company without a certificate of authority, you must complete Form AP-114.</p> <p>Fuels Tax - If you are required to be licensed under Texas Fuels Tax Law for the type and class permit required, you must complete Form AP-133.</p> <p>Gross Receipts Tax - If you provide certain services on oil and gas wells OR are a utility company located in an incorporated city or town having a population of more than 1,000 according to the most recent federal census and intend to do business in Texas, you must complete Form AP-110.</p>	<p>Off-Road, Heavy Duty Diesel Powered Construction Equipment Surcharge - If you sell, lease or rent off-road, heavy duty diesel powered construction equipment, you must complete Form AP-201. This is in addition to the sales tax permit. You are required to charge both the sales tax and the surcharge.</p> <p>Hotel Occupancy Tax - If you provide sleeping accommodations to the public for a cost of \$2 or more per day, you must complete Form AP-102.</p> <p>International Fuel Tax Agreement (IFTA) - If you operate qualified motor vehicles which require you to be licensed under the International Fuel Tax Agreement, you must complete Form AP-178.</p> <p>Manufactured Housing Sales Tax - If you are a manufacturer of manufactured homes or industrialized housing engaged in business in Texas, you must complete Form AP-118.</p> <p>Maquiladora Export Permit - If you are a maquiladora enterprise and wish to make tax-free purchases in Texas for export to Mexico, you must complete Form AP-153, to receive the permit.</p> <p>Motor Vehicle Seller-Financed Sales Tax - If you finance sales of motor vehicles and collect Motor Vehicle Sales Tax in periodic payments, you must complete Form AP-169.</p> <p>Motor Vehicle Gross Rental Tax - If you rent motor vehicles in Texas, you must complete Form AP-143.</p> <p>Petroleum Products Delivery Fee - If you are required to be licensed under Texas Water Code, sec. 26.3574, you must complete Form AP-154.</p> <p>Sales and Use Tax - If you engage in business in Texas; AND you sell or lease tangible personal property or provide taxable services in Texas to customers in Texas; and/or you acquire tangible personal property or taxable services from out-of-state suppliers that do not hold a Texas Sales or Use Tax permit, you must complete Form AP-201.</p> <p>Sulphur Production Tax - If you own, control, manage, lease, or operate a sulphur mine, well, or shaft, or produce sulphur by any method, system, or manner, you must complete Form AP-171.</p> <p>Telecommunications Infrastructure Fund - If you are a telecommunications utility company or a mobile service provider who collects and pays taxes on telecommunications receipts under Texas Tax Code, Chapter 151, you must complete Form AP-201.</p> <p>Texas Customs Broker License - If you have been licensed by the United States Customs Service AND want to issue export certifications, you must complete Form AP-168.</p>
--------------------	---	--

**TEXAS APPLICATION FOR SALES TAX PERMIT,
USE TAX PERMIT AND/OR**

TELECOMMUNICATIONS INFRASTRUCTURE FUND ASSESSMENT SET-UP

• TYPE OR PRINT
• Do NOT write in shaded areas.

SOLE OWNER IDENTIFICATION

1. Name of sole owner (First, middle initial, and last name)

2. Social security number (SSN) - - Check here if you DO NOT have a SSN.

3 Taxpayer number for reporting any Texas tax OR Texas identification number if you now have or have ever had one.

NON-SOLE OWNER IDENTIFICATION --- ALL SOLE OWNERS SKIP TO ITEM 9. ---

4. Business organization type

<input type="checkbox"/> Texas registered limited liability partnership (PR)	<input type="checkbox"/> Texas limited liability company (CL)	<input type="checkbox"/> Non-Texas limited liability company (CI)	<input type="checkbox"/> Estate (ES)
<input type="checkbox"/> Non-Texas registered limited liability partnership (PS)	<input type="checkbox"/> Texas profit corporation (CT)	<input type="checkbox"/> Non-Texas profit corporation (CF)	<input type="checkbox"/> Professional corporation (CP)
<input type="checkbox"/> General partnership (PG)	<input type="checkbox"/> Texas nonprofit corporation (CN)	<input type="checkbox"/> Non-Texas nonprofit corporation (CM)	<input type="checkbox"/> Professional association (AP)
<input type="checkbox"/> Limited partnership (PL or PF)	<input type="checkbox"/> Trust (FM) Please submit a copy of the trust agreement with this application		
<input type="checkbox"/> Other (explain) <input type="text"/>			

5. Legal name of partnership, company, corporation, association, trust, or other

6. Taxpayer number for reporting any Texas tax OR Texas identification number if you now have or have ever had one.

7. Federal employer's identification number (FEIN) assigned by the Internal Revenue Service 1 -

8. Check here if you do not have an FEIN. 3

BUSINESS INFORMATION

9. Mailing address
 Street number, P.O. Box, or rural route and box number

City State/province ZIP code County (or country, if outside the U.S.)

10. Name of person to contact regarding day to day business operations Daytime phone / -

11. Principal type of business

<input type="checkbox"/> Agriculture	<input type="checkbox"/> Transportation	<input type="checkbox"/> Retail Trade	<input type="checkbox"/> Real Estate	<input type="checkbox"/> Mining	<input type="checkbox"/> Communications (See Item 40)
<input type="checkbox"/> Finance	<input type="checkbox"/> Services	<input type="checkbox"/> Construction	<input type="checkbox"/> Utilities	<input type="checkbox"/> Insurance	<input type="checkbox"/> Public Administration
<input type="checkbox"/> Manufacturing	<input type="checkbox"/> Wholesale Trade	<input type="checkbox"/> Other (explain) <input type="text"/>			

12. Primary business activities and type of products or services to be sold SIC/NAICS

TAXPAYER INFORMATION

If you are a SOLE OWNER, skip to Item 18.

13. If the business is a Texas profit corporation, nonprofit corporation, professional corporation, or limited liability company, enter the charter/file number and date. File/Charter number Month Day Year

14. If the business is a non-Texas profit corporation, nonprofit corporation, professional corporation, or limited liability company, enter the state or country of incorporation, charter number and date, Texas Certificate of Authority number and date.
 State/country of inc. Charter number Month Day Year Texas Certificate of Authority number Month Day Year

15. If the business is a corporation, have you been involved in a merger within the last seven years? ... YES NO *If "YES," attach a detailed explanation.*

16. If the business is a limited partnership or registered limited liability partnership, enter the home state and registered identification number. State Number

17. General partners, principal members/officers, managing directors or managers (Attach additional sheets, if necessary.)

Name <input type="text"/>	Title <input type="text"/>	Phone (Area code and number) <input type="text"/> / <input type="text"/> - <input type="text"/>
Home address <input type="text"/>	City <input type="text"/>	State <input type="text"/> ZIP code <input type="text"/>
SSN or FEIN <input type="text"/>	Percent of ownership <input type="text"/> %	Date of birth <input type="text"/> / <input type="text"/> / <input type="text"/> County (or country, if outside the U.S.) <input type="text"/>
Position held <input type="checkbox"/> Partner <input type="checkbox"/> Officer <input type="checkbox"/> Director <input type="checkbox"/> Corporate Stockholder <input type="checkbox"/> Record keeper		

Name <input type="text"/>	Title <input type="text"/>	Phone (Area code and number) <input type="text"/> / <input type="text"/> - <input type="text"/>
Home address <input type="text"/>	City <input type="text"/>	State <input type="text"/> ZIP code <input type="text"/>
SSN or FEIN <input type="text"/>	Percent of ownership <input type="text"/> %	Date of birth <input type="text"/> / <input type="text"/> / <input type="text"/> County (or country, if outside the U.S.) <input type="text"/>
Position held <input type="checkbox"/> Partner <input type="checkbox"/> Officer <input type="checkbox"/> Director <input type="checkbox"/> Corporate Stockholder <input type="checkbox"/> Record keeper		

TEXAS APPLICATION FOR SALES TAX PERMIT, USE TAX PERMIT AND/OR TELECOMMUNICATIONS INFRASTRUCTURE FUND ASSESSMENT SET-UP

• TYPE OR PRINT
 • Do NOT write in shaded areas.

18. Legal name of entity (Same as Item 1 OR Item 5)

BUSINESS LOCATION

19. Is your business located outside Texas? YES NO
 If "YES," skip to Item 28

20. Business location name and address (Attach additional sheets for each additional location.)

Business location name

Street and number (Do not use P.O. Box. or rural route) City State ZIP code County

Physical location (If business location address is a rural route and box number, provide directions) Business location phone

21. Is your business located inside the boundaries of an incorporated city? YES NO
 If "YES," indicate city (You may need to contact your local city/county planning offices for assistance in determining the city taxing jurisdiction for your business location address entered in Item 20.)

Answer the questions below about the above location by checking "YES" or "NO." O/L

22. Is your business located inside a metropolitan transit authority/city transit department (MTA/CTD)? YES NO

23. Is your business located inside a special purpose district (SPD)? YES NO

24. Will you deliver in your own vehicles, provide taxable services, or have sales/service representatives going from this location to customers located in:

another city? YES NO

another county? YES NO

another MTA/CTD? YES NO

another SPD? YES NO

25. Will you ship from this location to other customers via common carrier? YES NO

26. Are you a seller with no established place of business selling at a temporary location (trade show, event, or door to door)? YES NO

27. Will you have out-of-state suppliers shipping taxable items directly to customers' locations in Texas? YES NO

SALES AND USE TAX

28. If you sell fireworks, are you a Distributor Jobber Manufacturer Retailer

29. Do you sell, lease, or rent off-road, heavy duty diesel powered equipment? YES NO

30. Check the box that best represents your anticipated quarterly state sales tax collections: less than \$250 \$250-\$1,500 greater than \$1,500

31. Enter the date of the first business operation in the above location that is subject to sales or use tax, or the date you plan to start such business operation. (Date cannot be more than 90 days in the future.)

month day year

32. Is your business operated all year? YES NO
 If "NO," list the months you will operate.

33. Will you sell any type of alcoholic beverages? YES NO
 If "YES," indicate the type of permit you will hold: mixed beverage beer and wine

34. Brief description of your business activities **for this location**, and the primary products or services to be sold. SIC/NAICS

35. Will you be required to report interest earned on sales tax? (See "Specific Instructions") YES NO

36. Are you located out of state with representation in Texas? YES NO
 If "YES," complete Item 37. If "NO," skip to Item 39.

37. List names and addresses of all representatives, agents, salespersons, canvassers, or solicitors in Texas. (Attach additional sheets, if necessary.)

Name (First, middle initial, last)

Street City State ZIP code

38. Location of all distribution points, warehouses, or offices in Texas (Attach additional sheets, if necessary.)

Street City State ZIP code

T X

Street City State ZIP code

T X

**TEXAS APPLICATION FOR SALES TAX PERMIT,
USE TAX PERMIT AND/OR**

TELECOMMUNICATIONS INFRASTRUCTURE FUND ASSESSMENT SET-UP

• TYPE OR PRINT
• Do NOT write in shaded areas.

39. Legal name of entity (Same as Item 1 OR Item 5)

TIF ASSESSMENT / 9-1-1

40. Do you receive compensation for providing telecommunications services? YES NO
If "YES," you are responsible for the Telecommunications Infrastructure Fund (TIF) assessment and should complete Items 41-43.
If "NO," skip to Item 44.

41. Date of the first business operation that is subject to the Telecommunications Infrastructure Fund assessment in Texas or the date you plan to start such business operation. month day year

42. Telecommunications provider type Telecommunications Utility (24) Commercial Mobile Service Provider (25)

43. 9-1-1 emergency communications fees you collect under Health & Safety Code, Chapter 771. (Check all that apply.)
 9-1-1 (Wireless) Emergency Service Fee (91) 9-1-1 Emergency Service Fee (92) 9-1-1 Equalization Surcharge (93)

For Comptroller Use Only
 Tax type/reason 00991 20
 Reference no.

PREVIOUS OWNER INFORMATION

If you purchased an existing business or business assets, complete Items 44-47.

44. Previous owner's trade name. Previous owner's taxpayer number (if available)

45. Previous owner's legal name, address and phone number, if available.
 Name Phone (Area code and number)
 Address (Street and number) City State ZIP code

46. Check each of the following items you purchased.
 Inventory Corporate stock Equipment Real estate Other assets

47. Purchase price of this business or assets and the date of purchase.
 Purchase price \$ Date of purchase month day year

SIGNATURES

48. The sole owner, all general partners, corporation or organization president, vice-president, secretary or treasurer, managing director, or an authorized representative must sign. A representative must submit a written power of attorney. Applicants must be 18 or older. Parents/Legal Guradians may apply for a permit on behalf of a minor. (Attach additional sheets if necessary.) Date of signature(s) month day year

I (We) declare that the information in this document and any attachments is true and correct to the best of my (our) knowledge and belief.

Type or print name and title of sole owner, partner, or officer Drivers license number/state Date of Birth sign here Sole owner, partner, or officer

Type or print name and title of sole owner, partner, or officer Drivers license number/state Date of Birth sign here Sole owner, partner, or officer

Type or print name and title of sole owner, partner, or officer Drivers license number/state Date of Birth sign here Sole owner, partner, or officer

YOUR PERMIT MUST BE PROMINENTLY DISPLAYED IN YOUR PLACE OF BUSINESS. THE INFORMATION ON YOUR PERMIT IS PUBLIC INFORMATION.

OPEN RECORDS NOTICE - Your name, address, and telephone number are public information under the Texas Open Records Act, Chapter 552, Government Code.

Field office or section number _____ Employee Name _____ USERID _____ Date _____

APPENDIX C
FY 04 ESTIMATED REVENUE LOSS
FOR MISALLOCATED CITY OF AUSTIN BUSINESSES

**FY 04 Estimated Revenue Loss
For Misallocated City of Austin Businesses**
Based on 37 Misallocated Businesses Active in FY 04

Calculation/ Description:	Standard Industrial Classification (SIC) Division	Sum of Austin Taxable Sales from SCO Quarterly Reports	Average Number of Outlets from SCO Quarterly Reports	Sum of Taxable Sales Divided by Number of Outlets	Misallocated Businesses Identified by OCA	Number of Missing Businesses Multiplied by Avg FY04 Sales	Est. Sales Multiplied by 1% (Austin portion) less 2% collection fee
	Division Name	Total FY04 Taxable Sales	FY04 Outlets	Avg FY04 Sales Per Business	Missing Businesses	Est. Sales of Missing Businesses	Austin Portion of Estimated Sales
	Agriculture, Forestry, and Fishing	\$ 89,682,855	656	\$ 136,712	3	\$ 410,135	\$ 4,019
	Construction	\$ 246,940,738	1,150	\$ 214,731	1	\$ 214,731	\$ 2,104
	Manufacturing	\$ 383,920,678	743	\$ 516,717	3	\$ 1,550,151	\$ 15,191
	Transportation, Communications, Electric, Gas, and Sanitary Service	\$ 1,172,074,845	319	\$ 3,674,216	4	\$ 14,696,863	\$ 144,029
	Wholesale Trade	\$ 738,317,440	937	\$ 787,959	2	\$ 1,575,918	\$ 15,444
	Retail Trade	\$ 6,441,855,578	10,845	\$ 593,993	19	\$ 11,285,870	\$ 110,602
	Services	\$ 1,238,746,848	6,743	\$ 183,709	5	\$ 918,543	\$ 9,002
		\$ 10,311,538,982	21,393	\$ 482,005	37	\$ 30,652,210	\$ 300,392

SOURCE: OCA analysis of FY 04 SCO Sales Tax Quarterly Reports and of businesses listed in City of Austin zip codes from data provided by SCO, March 2005.

APPENDIX D
MISALLOCATED BUSINESSES
BY STANDARD INDUSTRIAL CLASSIFICATION

Misallocated Businesses by Standard Industrial Classification

DIVISION	STANDARD INDUSTRIAL CLASSIFICATION (SIC) DESCRIPTION	MISALLOCATED BUSINESSES
A	Agriculture, Forestry, and Fishing	3
B	Mining	0
C	Construction	8
D	Manufacturing	13
E	Transportation, Communications, Electric, Gas, and Sanitary Service	7
F	Wholesale Trade	9
G	Retail Trade	98
H	Finance, Insurance, and Real Estate	1
I	Services	29
J	Public Administration	0
K	Nonclassifiable Establishments	0
<i>Total</i>		<i>168</i>

SOURCE: OCA analysis of businesses listed in City of Austin zip codes from data provided by SCO, March 2005.

Misallocated Businesses by Standard Industrial Classification Details

DIVISION STANDARD INDUSTRIAL CLASSIFICATION DESCRIPTION	MISALLOCATED BUSINESSES
Division A	
Agriculture, Forestry, and Fishing	
Animal Specialty Services, Except Veterinary	1
Forestry Services	1
Ornamental Floriculture and Nursery Products	1
<i>Total</i>	3
Division C	
Construction	
General Bldg Contractors - Residential Bldgs	2
Plumbing, Heating and Air-Conditioning	2
Electrical Work	1
Floor Laying and Other Floor Work, Not Elsewhere Classified	1
Masonry, Stone Setting, and Other Stone Work	1
Special Trade Contractors, Not Elsewhere Classified	1
<i>Total</i>	8
Division D	
Manufacturing	
Commercial Printing	2
Miscellaneous Manufacturing Industries	2
Air-Cond & Warm Air Heatg Equip & Comm & Indl Refrig Equ	1
Coating, Engraving & Allied Services	1
Construction Machinery & Equip	1
Electronic Components, NEC	1
Electronic Computers	1
Instruments For Meas & Testing of Electricity & Elec Sig	1
Misc Industrial & Commercial Machinery & Equipment	1
Semiconductors & Related Devices	1
Wood Household Furniture, (No Upholstered)	1
<i>Total</i>	13
Division E	
Transportation, Communications, Electric, Gas, and Sanitary Service	
Radiotelephone Communications	2
Trucking & Courier Services (No Air)	2
Public Warehousing & Storage	1
Telegraph & Other Message Communications	1
Trucking (No Local)	1
<i>Total</i>	7
Division F	
Wholesale Trade	
Wholesale-Apparel, Piece Goods & Notions	2
Wholesale-Durable Goods, NEC	2
Electronic Parts and Equipment, Not Elsewhere Classified	1
Wholesale-Electrical Apparatus & Equipment, Wiring Suppl	1
Wholesale-Industrial Machinery & Equipment	1
Wholesale-Lumber & Other Construction Materials	1
Wholesale-Motor Vehicle Supplies & New Parts	1
<i>Total</i>	9
Division G	
Retail Trade	
Retail-Retail Stores, Not Elsewhere Classified	22
Retail-Miscellaneous Shopping Goods Stores	10
Retail-Eating Places	8
Retail-Misc General Merchandise Stores	6
Motor Vehicle Dealers (Used Only)	5
Retail-Convenience Stores	5
Retail-Eating & Drinking Places	5

continues on following page

DIVISION STANDARD INDUSTRIAL CLASSIFICATION DESCRIPTION	MISALLOCATED BUSINESSES
Division G - cont'd	
Miscellaneous Food Stores	3
Miscellaneous Retail Stores, Not Elsewhere Classified	3
Retail-Hobby, Toy & Game Shops	3
Motor Vehicle Dealers (New and Used)	2
Retail-Computer & Computer Software Stores	2
Retail-Nonstore Retailers	2
Retail-Radio, Tv & Consumer Electronics Stores	2
Used Merchandise Stores	2
Candy, Nut, and Confectionery Stores	1
Eating Places	1
Gasoline Service Stations	1
Hardware Stores	1
Miscellaneous Apparel and Accessory Stores	1
Miscellaneous General Merchandise Stores	1
Miscellaneous Home Furnishings Stores	1
Motorcycle Dealers	1
Retail-Auto & Home Supply Stores	1
Retail-Catalog & Mail-Order Houses	1
Retail-Drug Stores and Proprietary Stores	1
Retail-Furniture Stores	1
Retail-Grocery Stores	1
Retail-Jewelry Stores	1
Retail-Record & Prerecorded Tape Stores	1
Retail-Shoe Stores	1
Retail-Women's Clothing Stores	1
Sporting Goods Stores and Bicycle Shops	1
<i>Total</i>	<i>98</i>
Division H	
Finance, Insurance, and Real Estate	
Mortgage Bankers & Loan Correspondents	1
<i>Total</i>	<i>1</i>
Division I	
Services	
Watch, Clock, and Jewelry Repair	1
Surveying Services	1
Services-Miscellaneous Equipment Rental & Leasing	1
Services-Mailing, Reproduction, Commercial Art & Photogr	2
Services-Computer Integrated Systems Design	2
Services-Business Services, NEC	4
Services, Not Elsewhere Classified	1
Photographic Studios, Portrait	3
Laundry and Garment Services, Not Elsewhere Classified	1
Hotels & Motels	1
Help Supply Services	1
General Automotive Repair Shops	2
Garment Pressing, and Agents for Laundries and Drycleaners	2
Electrical and Electronic Repair Shops, Not Elsewhere Classified	1
Carpet and Upholstery Cleaning	2
Business Services, Not Elsewhere Classified	1
Bands, Orchestras, Actors, and Other Entertainers and Entertainment Groups	1
Automotive Services, Except Repair and Carwashes	1
Automobile Parking	1
<i>Total</i>	<i>29</i>
Grand Total	168

SOURCE: OCA analysis of businesses listed in Austin zip codes from data provided by SCO, March 2005.

APPENDIX E
LETTER FROM STATE COMPTROLLER'S OFFICE



CAROLE KEETON STRAYHORN
Comptroller

COMPTROLLER OF PUBLIC ACCOUNTS

P.O. BOX 13528
AUSTIN, TX 78711-3528

October 6, 2005

Mr. Stephen L. Morgan
City Auditor
City of Austin
301 West Second Street, Suite 2130
Austin, Texas 78701-3906

Dear Mr. Morgan:

We appreciated the opportunity to work with you and your staff in resolving certain issues identified in your audit of the City's sales tax data controls. As you are aware, most of the issues raised by your team have been resolved and were properly reflected by some of the changes to your initial audit report.

A number of these issues are being resolved as a result of an initiative we began in the spring of 2004 using a geographic information system to determine the sales tax locations in our database that may be incorrectly set up for local sales tax collection. In addition, this project allows us to validate existing and future addresses for business locations.

This effort, upon completion, will allow us to make a number of improvements to our sales tax location database and ensure that local sales tax is properly allocated to the local jurisdictions where the local tax is due. It will essentially provide appropriate controls on both the front and back end of our business location setup process whereby ensuring future setups are correct.

While we appreciate the changes made to your report, we remain concerned that the report fails to document the outcome of research conducted by our staff once the allocation issues were raised. Your report initially indicated 168 businesses were identified as being incorrectly set up and not allocated to the City of Austin. Following our research, we determined that 61 of these businesses had a revenue impact on the City. Specifically, we have already completed the reallocation of \$42,823 to Austin and billed an additional \$40,003 in tax due but not collected. One account has been referred to our Audit Division for review. The remaining 106 businesses, of which 31 were coded correctly, had no revenue impact on the city.

Mr. Stephen L. Morgan
October 6, 2005
Page Two

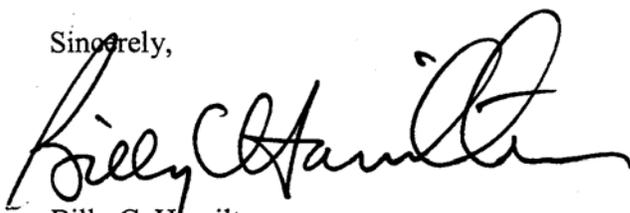
These gains to the City cover four years worth of collections, so the net change is on the order of \$20,000 a year out of the City's total sales tax allocation which has averaged more than \$111 million annually over the last four years. As we told your staff, the businesses are small and widely scattered throughout Austin. In addition, you asked this office to review 267 invalid business locations to determine if they are correctly allocated. Of this number, 247 were properly set up as either inside or outside the city limits of Austin and addresses have been corrected. Our Enforcement Division is validating the remaining 20 locations. Finally, we corrected the zip codes on the 21 businesses located outside the Austin area that were coded with an incorrect Austin zip code. We believe that the reporting of this additional information will provide a more accurate presentation of the issues identified in the report.

At this point, there are 27,333 active businesses in Austin's jurisdiction, of which the problems you identified were a small percentage. We have found that businesses near the city limits often have difficulty with their initial set up. In the future, technology will reach a point where it should eliminate many of these problems automatically. This technology is just becoming available, and we have found several problems we are resolving as we implement the system, just as we found several discrepancies with the information provided by your office relating to the 168 business locations.

With most jurisdictions—including the City of Austin—our longstanding policy has been to work on a cooperative and ongoing basis to rectify problems. Your report, though improved, leaves the impression that neither the City staff nor this office has worked in that direction. That is as unfortunate as it is inaccurate. With almost 684,000 sales taxpayers statewide, we have found that keeping the data clear and accurate at a level of 99 percent or better is an ongoing challenge.

Again, we appreciate the professional and cooperative attitude of your staff, and we look forward to continuing to work with the City on matters in the future.

Sincerely,



Billy C. Hamilton
Deputy Comptroller