



INFORMATION REPORT

TO:	Chair and Members Planning Committee
COMMITTEE DATE:	May 19, 2015
SUBJECT/REPORT NO:	Business Licensing Audit Review Update (PED13037(c)) (City Wide) (Outstanding Business List Item)
WARD(S) AFFECTED:	City Wide
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SIGNATURE:	

Council Direction:

On March 26, 2014, Council approved Item 18 of Audit, Finance and Administration Committee Report 14-002 respecting the "Performance Audit Report 2013-14 – Unlicensed Businesses (Value for Money Audit) (AUD14008)". Sub-section (b) of Item 18 recommended that the General Manager, Planning and Economic Development, report back on the resources and costs to implement the recommendations of the Report.

On May 14, 2014, Council approved Item 5 of Audit, Finance and Administration Committee Report 14-004 respecting the "Enforcement of Businesses Operating Without a License (PED13037(b))" which transferred an FTE position from a Parking Enforcement Officer to create a Licensing and Permits Officer to work solely on the list of 684 potentially-unlicensed businesses and proactively identify other unlicensed businesses.

Information:

The March 24, 2014 internal audit found 684 potentially-unlicensed businesses which would result in a potential revenue source of \$130,000; however the results of an investigation by licensing staff identified that only 27 locations out of the 684 potential businesses were not licensed according to the by-law, with potential lost revenue of only \$3,613.

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The discrepancy between the Internal Audit Report and the licensing staff investigation was because the Internal Audit compared the AMANDA licensed businesses (not active files) database for public garages, personal aesthetic services, food premises and tobacco retailers, with the databases for Fire and Public Health. The data was from May 2013. The problem was that this review only:

- captured a “snap-shot” in time of actually licensed businesses;
- did not review whether the business required a license under the Licensing By-law;
- did not review if there were active files on a business (different status than licensed such as new application/pending, or matter in the Courts);
- did not review the issue of multiple addresses on a property resulting in different property references on the data bases; and,
- did not determine if inspections were requested from Fire and/or Public Health for a business which did not open, e.g. due diligence for purchase or lease.

The Internal Audit Report provided five recommendations from the report:

1. Licencing should investigate the businesses identified as a result of this project and initiate licensing of these businesses, as appropriate:

A Licencing and Permits Officer was transferred from the Parking Control Section on April 7, 2014 to undertake a specific review of the audited list of the unlicensed businesses. The Officer’s review found the following related to the licenses:

Businesses Licensed (business obtained license after May 2013)	277
Businesses Not requiring a License	152
Business License Pending (application submitted but not yet issued or under investigation (Includes 27 not licensed)	34
Businesses no longer operating	191
Businesses Under Enforcement (in the Courts)	26
Duplicate Addresses	4
Total	684

The review found that the Audit Report only compared Fire and Public Health databases for properties shown as “licensed” in the Licensing database, although the properties could have other status such as under investigation, new application received and pending, closed or in the Courts.

As a result of the review undertaken by the Licencing and Permits Officer, all but 27 addresses were active within Licensing. Since completion of the review, three properties have been licensed, three properties were closed, and the remaining 21 are

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under investigation / pending or a license was not issued as there are building / zoning related issues.

In summary, under the normal operating practices of the Licensing Division, many of the properties found by the Audit were already within the system and being processed, licensed or under investigation.

- 2. A similar analysis as carried out for this review should be performed annually using available software capabilities to uncover potentially unlicensed businesses.**

There are regular meetings held with representation from Fire, Public Health, Planning and Building Departments/Divisions. The Licensing Division is notified of any businesses found which should require a licence. Upon notification, the matter is investigated. Not all inspections of businesses undertaken by other Divisions require a licence to operate.

Internal audits by the Licensing Division of these databases are now completed regularly. These mini-audits have led to additional investigations and licensing of Food Premises, Pawn Shops, Kennels and Mobile Licenses. As part of a regular function, the Licensing Division continues to audit and review other licensing categories.

Officers have also initiated proactive work within their assigned areas to locate new businesses operating without licences.

- 3. A common address database should be developed in conjunction with Licensing, Public Health, Fire Services and Taxation requirements.**

This matter is a Corporate-wide initiative and goes beyond the ability to address the issues within Licensing and the partner Departments / Divisions in the issuance of a License(s).

- 4. That the cost recovery analysis be completed and, as a minimum, the licence 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 received to achieve full cost recovery in accordance with the provisions of the *Municipal Act, 2001*.**

The issue related to the review of Business Licence Fees is on the work plan of the Director, Licensing Division, and is scheduled for completion in 2015.

- 5. That the City of Hamilton consider eliminating the multiple establishment licence type and require that businesses purchase licences for each type of business that they operate.**

In 2009, City Council passed By-law 09-040 which approved amendments to the Licensing By-law permitting an establishment to hold multiple licences at a certain business/property, whereby the business shall only pay for the higher cost license along with any inspection(s) fees associated with the licences. The only exemption to this multiple licence decision was that a licence for Tobacco Retailers shall not be included within the multiple licences.

Conclusion

On May 14, 2014, Council approved the transfer of an FTE from Parking Enforcement to Licensing to address the issues that arose through the Audit report, as well as to address other unlicensed establishment businesses. The work of this Officer not only cleared up the issues identified by the Internal Audit, but is now focused on Mobile Licensing issues, specifically taxicabs, limousines and food trucks, and the proactive enforcement of Business Licences operating within the City, to ensure compliance with the Licensing By-law.

The transfer of one Parking Control Officer has resulted in a transfer (revenue budget) of \$113,418 from Parking Enforcement to Licensing. This transfer will be a budget revenue pressure and will be included in the cost recovery analysis and overall comprehensive Business Licensing Review being conducted this year.

Also, increasing Licensing by one FTE has reduced the risk of unlicensed businesses operating in our community, ensuring public safety in the taxi industry and mobile industry, etc., which protects the public and in particular, the vulnerable sector, and public safety.

AF/cb