

CITY AUDITOR'S OFFICE



AUDIT OF COMMUNITY DEVELOPMENT DEPARTMENT BUSINESS LICENSING COMPLIANCE SECTION

Report CD001-2425-05

June 26, 2025

EXECUTIVE SUMMARY

Why this Audit is Important

The City's Business Licensing Division (Business Licensing) of the Department of Community Development has a Business Licensing Compliance Section (Compliance Section). The focus of the Compliance Section is to educate business owners on how to appropriately comply with the business licensing regulations and when violations are identified, to help bring businesses into compliance. During calendar year 2024, the Compliance Section completed 4,552 field inspections. With this amount of activity and the interaction the license officers have with the public, it is important that management have readily accessible and detailed information on the performance of the Compliance Section for appropriate oversight of this function and to be able to share the accomplishments of this group with City management and elected officials. This audit identified opportunities for improving the information that is available to management, as well as procedural and system security improvements that are needed.

Key Audit Results

- Additional and more readily accessible performance measurements are needed on the activities of the Compliance Section for management decision making, employee performance evaluation, and the communication of their accomplishments.
- Fees and fines are being correctly assessed in accordance with the municipal code.
- Unpaid fines and penalties are not being sent to the collection agency in accordance with the department's policy and improved documented procedures on this process are needed.
- Improved communication and coordination are needed between license officers and Fire Prevention staff to help get fourplex license applicants licensed.
- System access permission changes were not made timely for a license officer who separated from employment with the City and another license officer who transferred out of the Compliance Section. Timely communication of license officer employment changes is needed with the Infor system administrator to ensure system permissions are changed.
- The license officers currently work one standard shift, Monday through Thursday and participate in a monthly weekend evening inspection, also referred to as a sweep. Certain businesses whose operations are primarily in the evenings and on the weekends may not get sufficient attention by the Compliance Section.

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**AUDIT OF COMMUNITY DEVELOPMENT DEPARTMENT
BUSINESS LICENSING COMPLIANCE SECTION
Report CD001-2425-05**

BACKGROUND

The City's Business Licensing Division (Business Licensing) of the Department of Community Development has a Business Licensing Compliance Section (Compliance Section). The Compliance Section is comprised of a manager (currently vacant), two senior license officers, and seven license officers. These license officers have authority to regulate and enforce Title 6 of the Las Vegas Municipal Code, *Business Taxes, Licenses and Regulations*, as well as certain provisions of Title 9 *Health and Safety*, Title 12 *Special Events and Filming Activity*, and Title 16.22 *Non-Transient Lodging Properties*.

The focus of the Compliance Section is to educate business owners on how to appropriately comply with the business licensing regulations and where violations exist, to help bring businesses into compliance. These officers can issue courtesy notices, correction notices, and violation notices. Re-inspection fees and civil fines can be assessed in conjunction with these notifications. In addition, if compliance is not achieved, a license officer may issue a criminal citation.

Each license officer is assigned to oversee inspections in a specific area of the City. The license officers work Monday through Thursday, 6:30/7:00 a.m. to 5:00/5:30 p.m. In addition, the Compliance Section conducts evening inspections focused on specific business types once a month in conjunction with other City departments/divisions (e.g., City Marshals) and/or local government agencies (e.g., Health District, Las Vegas Metropolitan Police Department).

License officers conduct inspections originating from:

- Citizen complaints
- City Council requests
- Privileged license applications
- Temporary license applications
- Other government agency referrals
- License denials
- License officer initiated inspections
- Internal research

License officers are assigned vehicles, laptops, tablets, and phones to complete their work. They utilize a software known as Infor for documenting their work.

During calendar year 2024, the Compliance Section completed 4,552 field inspections.

AUDIT TEAM

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OBJECTIVES

Our audit objectives were as follows:

1. Evaluate the adequacy of the performance measurements and metrics being tracked by the Compliance Section, as well as the performance reports available to City management and council members.
2. Determine whether fees and fines are being assessed in accordance with the municipal code.
3. Determine whether uncollected amounts are being forwarded to the collections agency in accordance with policy.
4. Review and evaluate the cause of an operational inefficiency identified by license officers related to fire prevention inspections of fourplex license applications.
5. Determine whether Infor system permissions for Compliance Section staff are appropriate for their positions and whether access to INFOR is being appropriately changed when staff change positions within the department, transfer to another department, or terminate employment with the City.
6. Evaluate the adequacy of the work shifts of the license officers to fulfill their responsibilities.

SCOPE AND METHODOLOGY

The scope of our work was limited to the management controls within the context of the audit objectives. Our testing of the assessment and calculation of fees and fines was limited to billing statements for the months of October, November, and December 2024.

Our audit methodology included:

- Review of applicable sections of the City's municipal code.
- Review of documented policies and procedures.
- Review of key performance metrics and reports.
- Interviews with Community Development management and Compliance Section staff.
- Interview with a Fire Prevention staff.
- Ride-along with a license officer.
- Review of inspection cases within Infor.
- Recalculation of fees and fines issued by the Compliance Section.
- Review of process for submittal of fines and fees to the collection agency.
- Review of system access permissions of Compliance Section staff.
- Comparison of work shifts with other business licensing compliance offices within Nevada government agencies.

The last fieldwork date of this audit was April 22, 2025.

RESULTS

The results of our audit fieldwork for each of our audit objectives are discussed below:

1. *Evaluate the adequacy of the performance measurements and metrics being tracked by the Compliance Section, as well as the performance reports available to City management and council members.*

We identified the need for additional and more readily accessible performance metrics on the Compliance Section's activities. **See Finding #1.**

2. *Determine whether fees and fines are being assessed in accordance with the municipal code.*

We tested the accuracy of the re-inspection fees and civil fines assessed during the period from October through December 2024. We found that these fees and fines are being correctly assessed in accordance with the municipal code.

3. *Determine whether uncollected amounts are being forwarded to the collections agency in accordance with policy.*

Our testing identified that unpaid fines are not being sent to the collection agency in accordance with policy and that the Compliance Section's documented procedures do not adequately address when fees should be sent to the collection agency and the process for submitting fees and fines to the collection agency. **See Finding #2.**

4. *Review and evaluate the cause of an operational inefficiency identified by license officers related to fire prevention inspections of fourplex license applications.*

In our discussions with license officers, they expressed concern with fourplex business license applicants having to re-start the application process after fire prevention officers fail an inspection due to not being able to make contact with the applicant. **See Finding #3.**

5. *Determine whether Infor system permissions for Compliance Section staff are appropriate for their positions and whether access to INFOR is being appropriately changed when staff change positions within the department, transfer to another department, or terminate employment with the City.*

In our testing of Infor system permissions, we identified that a license officer who had separated from employment with the City still had Infor access. In addition, we identified another license officer who had transferred out of the Compliance Section but retained their same Infor system access permissions. System permissions for the other Compliance Section staff were found to be appropriate for their positions. **See Finding #4.**

6. *Evaluate the adequacy of the work shifts of the license officers to fulfill their responsibilities.*

The license officers currently work one standard shift, Monday through Thursday and participate in a monthly weekend evening inspection, also referred to as a sweep. Certain businesses whose operations are primarily in the evenings and on the weekends may not get sufficient attention by the Compliance Section. **See Finding #5.**

FINDINGS AND RECOMMENDATIONS

1. Improved Performance Metrics and Reporting Needed

Business Licensing has various standard activity reports that can be generated using Infor system data. A regularly used report known as the *Business License Stats* report includes some key performance metrics on the Compliance Section including the following:

Number of:

- Business license field inspections
- Business license inspections resulted within 10 business days
- Business license complaints resolved within 5, 15, and 30 days
- Identified unlicensed businesses resolved within 90 business days
- Temporary licenses inspected within 10 business days
- Warning notices issued and complied with
- Citations issued and complied

Several of these metrics are incorporated into a weekly Business Licensing report. Other metrics are obtained as needed or requested through ad-hoc reports generated from Infor with the help of the Department of Innovation and Technologies (IT).

Additional and more readily accessible performance metrics on the Compliance Section's activities would benefit management decision making, employee performance evaluation, and the communication of their accomplishments.

Additional performance metrics could include the following:

- Type of inspections completed
- Number of inspections by license officer areas or ward
- Business types inspected
- Origin of inspections
- Amount of fees and fines assessed and collected by the City
- Amount of fines and fees sent to the collection agency and successful collections
- Number of businesses without a current license that were brought into compliance
- Results of evening inspections/sweeps

No information on the Compliance Section's performance is currently available on the City's Transparency website. Data on the inspections of the City's Code Enforcement division and the restaurant inspections of the Southern Nevada Health District is available on the City's website.

Recommendations

- 1.1 Business Licensing management should evaluate what performance metrics in addition to those already tracked would be most useful for department management, City management, and council members.
- 1.2 Business Licensing management working with IT should make Compliance Section performance metrics more readily accessible online and/or through regularly produced reports.
- 1.3 Business Licensing management should evaluate what data could be shared on the City's transparency website.

2. Unpaid Fines and Fees Not Timely Sent to Collections

Per section 6.02.450 of the Las Vegas Municipal Code:

If a person fails to respond to a Notice of Violation or a Notice of Delinquency in accordance with this Chapter, the City is entitled to collect the amount of any fines and penalties by means of any remedy available under applicable law, including without limitation referring the matter to a collection agency.

The Compliance Section procedure manual states that *civil penalties/fines* outstanding more than 75 days since the first Notice of Violation are to be assigned to the collection agency used by Business Licensing. The procedure manual does not address when *fees* should be assigned to the collection agency.

As of February 20, 2025, there were a total of \$11,049 in fines associated with six cases that should but have not been assigned to the collection agency in accordance with this policy. In addition, there were a total of \$3,234 in fees greater than 75 days past due that have not been sent to collections.

The Compliance Section procedure manual does not adequately address the following aspects of the process for submitting fees and fines to the collection agency:

- The employee(s) responsible for identifying fees and fines to be submitted to the collection agency.
- The employee(s) responsible for providing information to the collection agency and the procedures involved in that process.
- The point at which fees should be submitted to the collection agency.
- The information to be input into the Infor system identifying that the fees and fines have been submitted to the collection agency.

Recommendations

- 2.1 Business Licensing management should improve their documented procedures regarding the compliance fines and fees collection process including addressing those points identified in this finding.
- 2.2 Business Licensing management should implement these improved procedures and determine what existing fines and fees should be assigned to the collection agency.

3. Improved Coordination Needed with Fire Prevention Inspectors

On April 21, 2021, the City Council passed a bill that changed the definition of an apartment house to include structures with four or more apartment dwelling units (fourplex). Therefore, these fourplexes now require a business license.

Since the adoption of this bill, the license officers have spent much time and effort trying to get the owners of these fourplexes licensed. As of February 25, 2025, 556 fourplexes have been licensed, 44 have pending applications, and 107 remain unlicensed. One of the challenges in getting the owners of these fourplexes to obtain a license is identifying contact information for the owners.

Once a fourplex owner applies for a business license and a license officer has completed an inspection, a City fire prevention officer attempts to contact the fourplex owner to schedule a fire inspection. If the fire prevention officer is not able to reach the fourplex owner after multiple attempts, the fire inspection is failed and the fourplex owner must re-start the business license application process. These types of failures are frustrating for the license officers considering their prior efforts to get in contact with fourplex owners and get them to begin the licensing process.

Based on discussions with license officers and a fire prevention supervisor, they believe these type of failures can be avoided through improved coordination and communication between the license officers and fire prevention inspectors.

A handout provided by license officers to fourplex apartment license applicants states the following:

Business License applications are sent to the Planning Department and Fire Department for review and inspection, if applicable. Upon approval from these agencies and completion of all items listed above, the Business Licensing Division will issue your business license.

This verbiage lacks adequate direction to business license applicants on their responsibility to work with the Fire Department to get a fire inspection scheduled and the consequences if it is not completed.

Recommendations

- 3.1 Business Licensing management should work with Fire Prevention management in improving the communication and coordination with Compliance Section staff in scheduling fire inspections of fourplex apartments.
- 3.2 Business Licensing management should update its fourplex apartment license handout to include additional information to applicants on the need to have a fire inspection and that process.

4. Timely System Access Permission Change Notifications Needed

The Compliance Section utilizes the software Infor for documenting its inspections. License officers are assigned specific access permissions based on their job responsibilities. The Infor System Administrator is an IT employee.

We reviewed the system access permissions of Compliance Section staff as of December 9, 2024. In addition, we reviewed whether system access permissions had been appropriately terminated or changed for Compliance Section staff who had separated from employment or transferred from the Section during calendar year 2024.

Based on our testing, we identified the following:

- One license officer who separated from employment with the City still had Infor access. Per discussions with the Infor System Administrator, he was aware of the separation but didn't make the change promptly. The change was made upon bringing this to his attention.
- One license officer who transferred out of the Compliance Section but remained within the Business Licensing Division still had their previous system access permissions. The Infor System Administrator had not been made aware of this transfer by Business Licensing management. The system access permissions were subsequently changed.

While the Infor System Administrator is notified of employees who separate from employment with the City, he is not immediately made aware of employee position changes within a department or the transfer of an employee to another department. Business Licensing does not have a process for notifying the Infor System Administrator of these changes.

While the Infor System Administrator formally requests that department management review and confirm the appropriateness of Infor system access permissions annually, Business Licensing does not have a process for confirming that system access changes are made following a change in an employee's position.

Recommendations

- 4.1 Business Licensing management should document and implement a process for notifying the Infor System Administrator when an employee's job responsibilities change requiring a change in their Infor system access permissions.
- 4.2 Business Licensing management should document and implement a process for confirming that Infor system access permissions have been changed by the Infor System Administrator immediately following an employee's separation, transfer, or job responsibility change.

5. Need for Evaluation of Adequacy of Inspection Shift Coverage

License officers currently work a standard shift of Monday through Thursday, 6:30/7:00 a.m. to 5:00/5:30 p.m. In addition, several license officers conduct Friday or Saturday evening inspections (aka sweep) once a month. The monthly weekend evening sweeps typically have a focus on a specific business type. These inspections are often completed in coordination with other City departments or government agencies such as the City marshals, the Health District, and/or the Las Vegas Metropolitan Police Department. While infrequent, license officers may be asked to be ready to work outside their normal work hours (stand-by time) or return to work at the request of management to work during off-duty hours (call-out time).

The Compliance Section procedures state the following:

As the needs of the Department dictate, a team of License Officers may work evenings and weekends paired up with another License Officer or accompanied by a Senior License Officer. The goal of these alternative shifts is to follow through on open compliance cases or investigations that would benefit from a nighttime or a weekend activity check.

While these procedures provide for alternative shifts, the Compliance Section essentially only has one shift and the monthly sweep. Certain businesses whose operations are primarily in the evenings and on the weekends may not get sufficient attention by the Compliance Section.

In conjunction with our audit, we found that a couple other Business License departments in Nevada (Clark County and Reno) have employee shifts that regularly provide coverage beyond standard business hours including evenings, Fridays, and/or weekends.

While increased coverage of evenings, Fridays, and/or weekends by license officers may not currently be preferred or feasible, Business Licensing management should continually evaluate the effectiveness of its operations and whether additional coverage is needed based on the nature of complaints, industry trends, and the priorities of City management.

Recommendation

- 5.1 Business Licensing management should implement a process for routinely reviewing the performance metrics of the Compliance Section and evaluate whether any of the following arrangements would be beneficial to the operations:
- Additional or staggering inspection shifts that would cover evenings and/or weekends.
 - Additional weekend inspections/sweeps.

MANAGEMENT RESPONSE

1. Improved Performance Metrics and Reporting Needed

- 1.1 Business Licensing management should evaluate what performance metrics in addition to those already tracked would be most useful for department management, City management, and council members.

Management Action Plan: This has been an ongoing project for the last four years. We have engaged both staff and management in efforts to narrow down which metrics are meaningful, and to identify metrics currently collected that may no longer provide value. We began this process with brainstorming sessions and are working towards finalizing a list of useful performance metrics.

Estimated Date of Completion: August 30, 2025

- 1.2 Business Licensing management working with IT should make Compliance Section performance metrics more readily accessible online and/or through regularly produced reports.

Management Action Plan: We have already started communication with IT regarding some of the identified metrics and the need for improved reporting functionality. As more metrics are finalized, we will continue to work with IT. We anticipate having a full list of new or revised metrics by August 30, 2025, and will engage IT on implementation by September 30, 2025. While we can control our engagement timeline, we know that IT's implementation timeframe is outside of our control and may extend beyond our timeline.

Estimated Date of Completion: September 30, 2025

- 1.3 Business Licensing management should evaluate what data could be shared on the City's transparency website.

Management Action Plan: We'll be working with our analysts, staff, and IT team to figure out what meaningful data can be shared publicly through the City's transparency portal. This could include things like how many inspections we complete each month, the types of violations that we see most often, and how quickly we're resolving complaints, such as tracking how many are closed within 30 days. The goal will be to highlight the work being done and show the public where our efforts are making an impact. Before anything is published, we'll make sure the data is reviewed for any legal, privacy, or operational concerns, then submit it to the City Attorney's Office for final review.

Estimated Date of Completion: October 31, 2025

2. Unpaid Fines and Fees Not Timely Sent to Collections

- 2.1 Business Licensing management should improve their documented procedures regarding the compliance fines and fees collection process including addressing those points identified in this finding.

Management Action Plan: We agree that our current process for managing unpaid compliance fines and fees needs to be reviewed. We will review and update our internal procedures (desk procedures) to clearly outline timelines, roles, and steps for follow-up on unpaid balances. There is some work to be done in INFOR as well, as it was noted that this process is very manual and can lead to errors. But again, INFOR changes hinge on IT's availability and budget resources; so the deadline does not account for this part.

Estimated Date of Completion: October 31, 2025

- 2.2 Business Licensing management should implement these improved procedures and determine what existing fines and fees should be assigned to the collection agency.

Management Action Plan: See response to 2.1 above. Once 2.1 is complete it will encompass this recommendation as well.

Estimated Date of Completion: October 31, 2025

3. Improved Coordination Needed with Fire Prevention Inspectors

- 3.1 Business Licensing management should work with Fire Prevention management in improving the communication and coordination with Compliance Section staff in scheduling fire inspections of fourplex apartments.

Management Action Plan: We will work with Fire Prevention to establish a more structured communication process regarding fourplex inspections. We will also review how inspection results are being communicated back to our team to avoid delays in license issuance beyond the fourplex apartments.

Estimated Date of Completion: August 30, 2025

- 3.2 Business Licensing management should update its fourplex apartment license handout to include additional information to applicants on the need to have a fire inspection and that process.

Management Action Plan: We will work on revising the apartment house handout to clearly explain the fire inspection requirement, including when to schedule it, how to request it, and how it affects the licensing process. We will work with Fire Prevention to ensure the information is

accurate and user-friendly. We will post the handout on our website and provide it to the public as needed.

Estimated Date of Completion: August 30, 2025

4. Timely System Access Permission Change Notifications Needed

- 4.1 Business Licensing management should document and implement a process for notifying the Infor System Administrator when an employee's job responsibilities change requiring a change in their Infor system access permissions.

Management Action Plan: We will coordinate with the Community Development administrative team, as they are responsible for managing personnel changes, to inform them of this recommendation. Together, we will support the creation of a standardized internal process to ensure IT is promptly notified of any staff separations, transfers, or job duty changes that require updates to Infor system access. Our role will be to confirm that access permissions are properly adjusted and to incorporate a verification step into our internal procedures and relay results back to the administration team.

Estimated Date of Completion: October 1, 2025

- 4.2 Business Licensing management should document and implement a process for confirming that Infor system access permissions have been changed by the Infor System Administrator immediately following an employee's separation, transfer, or job responsibility change.

Management Action Plan: See response to 4.1 above.

Estimated Date of Completion: October 1, 2025

5. Need for Evaluation of Adequacy of Inspection Shift Coverage

- 5.1 Business Licensing management should implement a process for routinely reviewing the performance metrics of the Compliance Section and evaluate whether any of the following arrangements would be beneficial to the operations:
- Additional or staggering inspection shifts that would cover evenings and/or weekends.
 - Additional weekend inspections/sweeps.

Management Action Plan: We agree that performance metrics should be used to guide staffing decisions. We will begin reviewing inspection data, including types of inspection, response times, types of complaints, volume of weekend activity, and types of violations, to evaluate whether more evening or weekend shifts are necessary. In the short term, we have already begun limited weekend inspections (one per month). Future shifts or staggered schedules will be considered based on data trends, staffing capacity, and operational impact.

Estimated Date of Completion: May 31, 2026