



*Taxpayer Problem Resolution
Officer Report
For the Year Ended
December 31, 2016*

July 2017

**City of Tempe
Internal Audit Office**

**City Auditor: Lori Cox, CIA, CGAP, CCEP
Internal Auditor: Keith Smith, CPA, CGFM
Audit Associate: Daniela Pena, M.Acc**

Introduction

In accordance with Chapter 16, Section 16-515 of the Tempe City Code, the Taxpayer Problem Resolution Officer is responsible for performing an annual survey of Tempe privilege tax licensees to determine their satisfaction with the City's Tax Collector and to respond to complaints of improper, abusive or inefficient services. The City Auditor serves as the Taxpayer Problem Resolution Officer.

On January 1st, 2015, the State of Arizona Department of Revenue (ADOR) began transitioning to become the single point of administration and collection of State, county and municipal transaction privilege tax. At that time, ADOR began statewide administration for audit purposes. As a result, for the 2016 calendar year, the Internal Audit Office did not distribute Auditee surveys as the State was responsible for those audits.

The ADOR began statewide administration for all licensing and standard tax return purposes for tax periods beginning January 1st, 2017. Additionally, the State and the Tax License division will be prohibited from sharing the data necessary for Internal Audit to perform surveys. As of December 31st, 2016, the Internal Audit Office will therefore no longer survey New Licensees regarding the quality of service provided by City staff as the administration has been handed over to the State.

This will be the final annual report on the survey of taxpayers unless the administration of licenses and audits reverts back to the City. We recommend that the Tax and License division seek approval to revise the Tempe City Code related to Taxpayer Problem Resolution Officer duties referenced in Chapter 16.

This report summarizes the results of surveys and Taxpayer Problem Resolution Officer activity for the calendar year ended December 31st, 2016.

Survey Process

In prior years, surveys were distributed to two groups of taxpayers: New Licensees and Auditees. In 2016, surveys were distributed to New Licensees only. The following table details the level of responses:

Taxpayer Group	Surveys Returned				
	2012	2013	2014	2015	2016
New Licensee*	253	283	72	72	70
Auditees	46	30	24	6	-
Total	299	313	96	78	70

**The significant drop in new licensee responses can be partially attributed to the reduction in the number of surveys distributed. For 2013, approximately 3,100 surveys were mailed. In 2014, 1,512 surveys were distributed (124 were mailed and 1,388 were e-mailed). In 2015, 1006 surveys were distributed (205 mailed and 801 e-mailed). In 2016, 1006 surveys were distributed (260 were mailed and 746 were e-mailed). Although the number of new licensee surveys distributed has decreased, the response rate has remained steady as shown in the chart on page 2.*

The response rates for the past three years (since we began e-mailing some surveys) are as follows:

Taxpayer Group	Survey Type	Response Rate		
		2014	2015	2016
New Licensee	E-mail	4.3%	6.7%	7.8%
	Mailed	9.7%	8.8%	4.6%
Auditees	E-mail	15.2%	5.3%	-
	Mailed	9.8%	16.7%	-

We asked taxpayers to respond to specific questions regarding the services provided by the Tax and License Division, rate the quality of service provided by City staff, and provide comments or suggestions for improvement. For those new licensees whose e-mail addresses were on file with the Tax and License Division, we e-mailed a webpage link for the taxpayer to respond to an online survey. We mailed surveys to a sample of remaining new licensees. This process results in savings on postage costs for mail distribution to survey recipients and return postage on responses. Please note that the transition of licensing responsibilities from the City to the Arizona Department of Revenue began in September/October 2016; therefore, some of the survey responses processed in the last quarter of 2016 may reflect feedback on service provided by the State rather than the City.

Survey Results

New Licensees

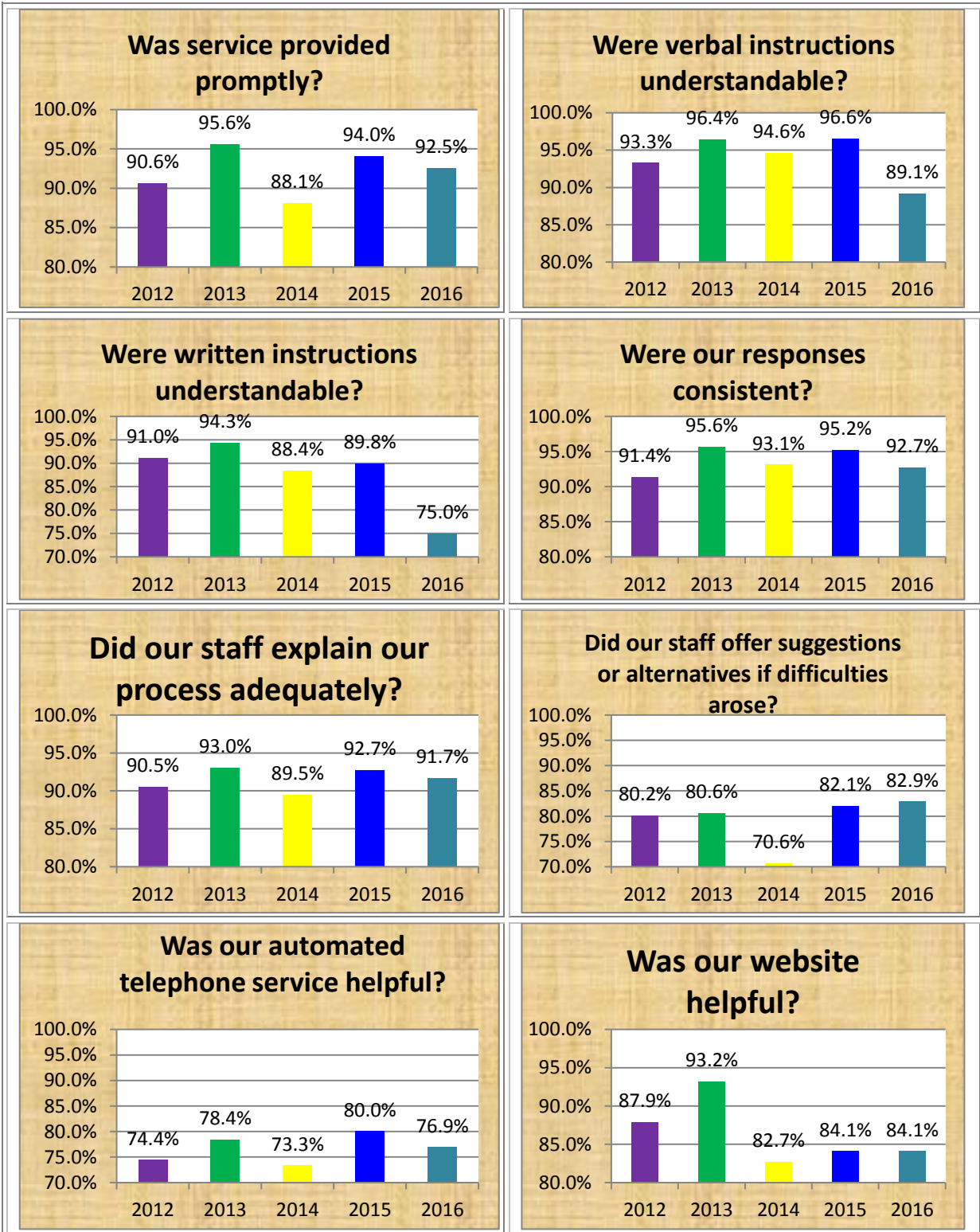
New Licensee Satisfaction

Overall, the results indicate new licensees are generally satisfied with the quality of service provided by the Tax and License staff. As detailed in Table 1 and illustrated in the graphs on page 4, 2016 satisfaction levels were down from the prior year in 6 of 8 areas.

Table 1- New Licensees' Satisfaction

Question	2012	2013	2014	2015	2016
Was service provided promptly?	90.6%	95.6%	88.1%	94.0%	92.5%
Were verbal instructions understandable?	93.3%	96.4%	94.6%	96.6%	89.1%
Were written instructions understandable?	91.0%	94.3%	88.4%	89.8%	75.0%
Were our responses consistent?	91.4%	95.6%	93.1%	95.2%	92.7%
Did our staff explain our process adequately?	90.5%	93.0%	89.5%	92.7%	91.7%
Did our staff offer suggestions of alternatives if difficulties arose?	80.2%	80.6%	70.6%	82.1%	82.9%
Was our automated telephone service helpful?	74.4%	78.4%	73.3%	80.0%	76.9%
Was our website helpful?	87.9%	93.2%	82.7%	84.1%	84.1%

Graphs - New Licensees' Satisfaction



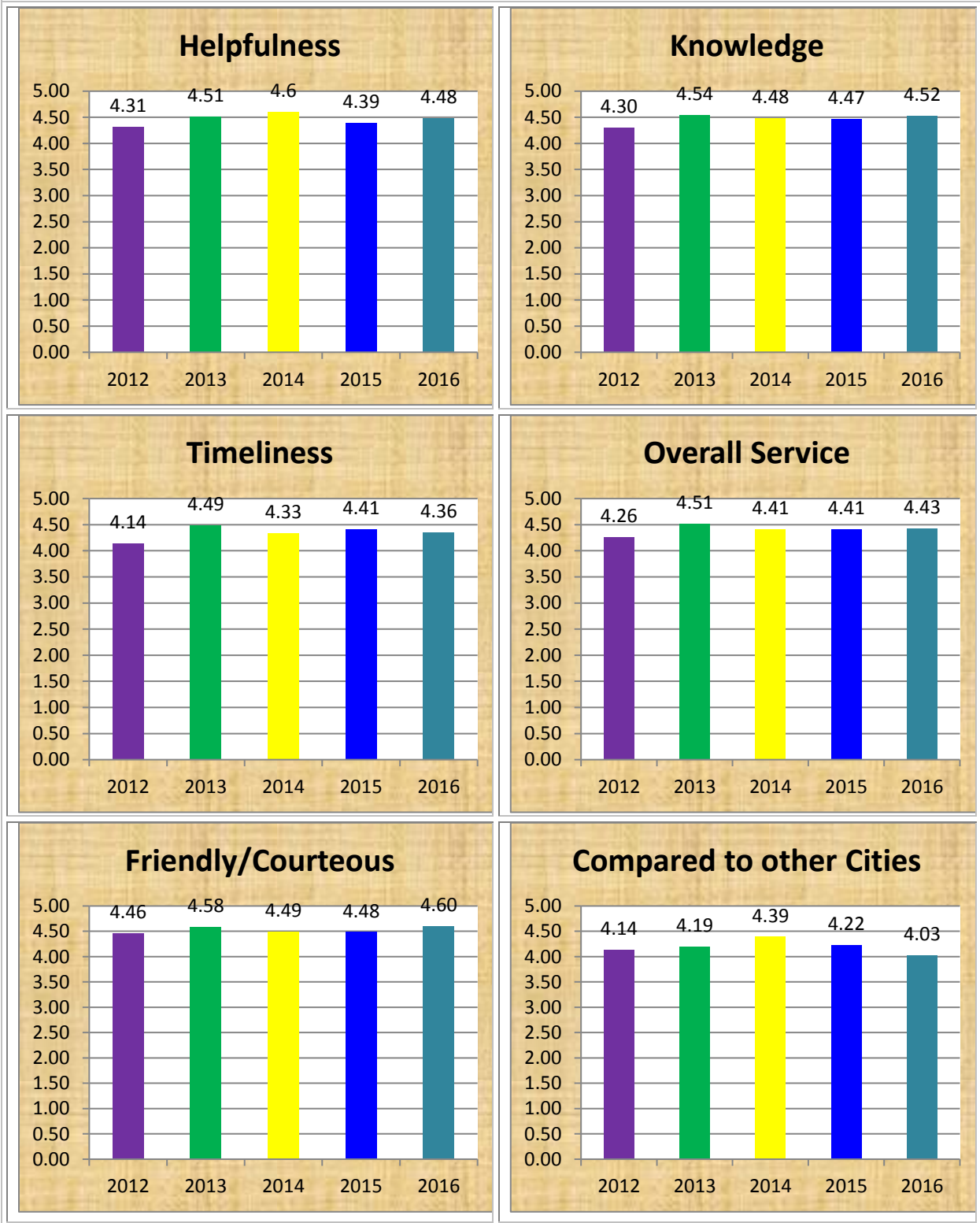
New Licensee Quality of Service

As detailed in Table 2 below and illustrated in the graphs on page 6, there was a high level of satisfaction in the Quality of Service in all six areas. On average, 2016 satisfaction levels remained constant from the prior year.

Table 2 - New Licensee Quality of Service

Sales Tax Licensing Staff Service Quality	2012	2013	2014	2015	2016
Helpfulness	4.31	4.51	4.60	4.39	4.48
Knowledge	4.30	4.54	4.48	4.47	4.52
Timeliness	4.14	4.49	4.33	4.41	4.36
Overall Service	4.26	4.51	4.41	4.41	4.43
Friendly / Courteous	4.46	4.58	4.49	4.48	4.60
Compared to Other Cities	4.14	4.19	4.39	4.22	4.03

Graphs – New Licensee Quality of Service



Auditees

In prior years, the Internal Audit Office surveyed all taxpayers who were audited within their respective calendar years. For the 2016 calendar year, the Internal Audit Office did not distribute Auditee surveys as the State was responsible for those audits. To see prior-year Auditees ratings of the services provided by the Tax and License Division and City staff, please refer to the Taxpayer Problem Resolution Officer Report for the year ended December 31st, 2015.

Taxpayer Comments and Suggestions

We also included comments and suggestions submitted by taxpayers on the survey forms in Appendix I of this report. We found no comments that would warrant action by the City Auditor, serving as the Taxpayer Problem Resolution Officer. Names of City staff members have been redacted from the Appendix in this report, but were revealed to Department and Division management.

Annual Report

The City's tax code also requires that a report be issued to the Mayor and City Council outlining any complaints received by the Taxpayer Problem Resolution Officer of improper, abusive, or inefficient service by the Tax Collector. There were no complaints presented to the Taxpayer Problem Resolution Officer during calendar year ended December 31st, 2016.