



City of San Antonio

Legislation Details (With Text)

File #: 16-2538

Type: Misc - Professional Services Agreements

In control: City Council A Session

On agenda: 6/2/2016

Title: An Ordinance authorizing a professional services agreement for sales and use tax audit services with Sales Tax Assurance LLC in an amount up to 25.0% of any recovered sales and use taxes. [Ben Gorzell, Chief Financial Officer; Troy Elliott, Finance Director]

Sponsors:

Indexes:

Code sections:

Attachments: 1. FINAL SCORE Summary Matrix RFP Sales and Use Tax Audit_2.23.16, 2. Form 1295 Certificate.1, 3. Draft Ordinance, 4. Ordinance 2016-06-02-0402

Date	Ver.	Action By	Action	Result
6/2/2016	1	City Council A Session	adopted	Pass

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: City Wide

SUBJECT:

Engagement of Professional Consultant to Provide Sales and Use Tax Audit Services

SUMMARY:

This ordinance authorizes the City to enter into a professional service contract with Sales Tax Assurance LLC to provide sales and use tax audit services to the City. Under this engagement, the consultant will review past and present state and City records to determine if:

1. Businesses operating within the City of San Antonio that are subject to city sales and use tax are remitting the appropriate amount to the Texas Comptroller of Public Accounts.
2. Internet sales that are subject to local City of San Antonio sales and use tax are in fact remitting to the Texas Comptroller of Public Accounts.
3. The City of San Antonio is being correctly allocated all city sales and use tax each month from the Texas Comptroller of Public Accounts.
4. The City of San Antonio is correctly identifying and documenting sales and use tax collections.

The Contractor will be required to coordinate with the Texas Comptroller of Public Accounts office to correct appropriate records to ensure the collection of any unrealized sales and use tax revenue to the City.

BACKGROUND INFORMATION:

Texas imposes a state sales tax on all retail sales, leases and rentals of most goods, as well as taxable services. Texas cities, counties, transit authorities and special purpose districts have the option of imposing an additional local sales tax for a combined state and local tax rate of up to 8 1/4% (.0825).

San Antonio's current sales tax rate is 8.250% and is distributed as follows: 1.000% City of San Antonio; 0.125% dedicated to the City of San Antonio Edwards Aquifer Protection and Parks Development and Expansion Venue Projects; 0.125% dedicated to the City of San Antonio Pre-K 4 SA initiative; 0.250% San Antonio ATD (Advanced Transportation District); 0.500% San Antonio MTA (Metropolitan Transit Authority); and 6.250% State of Texas.

The Finance Department desires to be proactive and identify potential additional revenue otherwise due to the City as a result of any sales tax omissions or errors. On October 30, 2015 the City released a Request for Proposal (RFP) for Sales and Use Tax Audit Services. Two responses for this solicitation were received on December 1, 2015 in response to the RFP.

The two firms were evaluated and scored by a committee consisting of representatives from the Finance Department. A representative of the City Attorney's Office served as an advisory non-voting member of the evaluation committee. The evaluation of each proposal was based on a total of 100 points: 20 points allotted for experience, background, qualifications; 25 points allotted for proposed plan; 20 points allotted for cost/compensation; 20 points allotted for SBEDA (SBE Prime Contract Program, 10 points and M/WBE Prime Contract Program, 10 points); 10 points allotted for Local Preference Program (LPP); and 5 points allotted for Veteran-owned Small Business Preference Program (VOSB). A summary of the RFQ scoring is attached.

Based on this criterion, Sales Tax Assurance LLP was selected as the successful respondent. This contract will allow the City to engage Sales Tax Assurance LLP as a professional consultant to be an advocate for the City in gathering data from the Texas Comptroller of Public Accounts (TCPA) and reviewing for errors and omissions, correct registration, accurate reporting, and potential tax recovery, working with the TCPA and businesses. In addition the consultant will provide internal research reports and monthly sales tax analysis reports. The consultant will also perform a one-time review of the City's sales tax collections for completeness and accuracy. In return for these services, the consultant will retain a percentage of sales tax collections after the City has received payments of the recovered and/or new or increased sales and use tax.

The contract with Sales Tax Assurance LLP will provide the City with 75% of the recovered sales and use taxes while the consultant will keep 25%. Under this compensation arrangement, there is not risk to the City. The consultant only gets paid if recoveries are realized by the City.

This contract is within the scope of the SBEDA Program. However, Sales Tax Assurance LLP did not receive the allotted points because it is not located within the San Antonio Metropolitan Statistical Area.

ISSUE:

City sales tax collections have averaged approximately \$226 million over the past five fiscal years. The

adopted FY 16 budget for sales taxes is \$274.6 million. Given the volume and complexity of sales and use tax the City receives and the potential for errors or omissions, the City proposes to engage Sales Tax Assurance LLC as a professional consultant to provide sales and use tax audit services.

ALTERNATIVES:

An alternative to accepting this proposal response would be to not move forward with the solicitation. However, the City would not be aware of any otherwise additional revenue due to the City as a result of sales and use tax omissions or errors.

FISCAL IMPACT:

This ordinance authorizes a professional services contract with Sales Tax Assurance LLC to provide sales and use tax audit services. As compensation under the contract, Sales Tax Assurance LLC will be entitled to receive 25% of any recoveries achieved by the City as a result of the consultant's efforts. Any recovered amounts will be incremental revenue above Sales and Use Tax revenue previously budgeted for, which will offset the 25% commission expense.

RECOMMENDATION:

Staff recommends the approval of the proposed professional services contract with Sales Tax Assurance LLC to provide the Finance Department with sales and use tax audit services.