



**CITY OF PALO ALTO
OFFICE OF THE CITY AUDITOR**

05

**The Honorable City Council
Palo Alto, California**

April 1, 2002

Resolution Authorizing Examination of Sales and Use Tax Records

Recommendation

The City Auditor's Office recommends the City Council approve the attached resolution authorizing the firm of Hinderliter, De Llamas and Associates to represent the City with authority to examine confidential sales and use tax records of the State Board of Equalization (SBOE).

Background

Per agreement with the SBOE, the City has authority to examine confidential sales and use tax records. The City Auditor's Office and an outside vendor use this information to ensure that the City is receiving its proper allocation of retail sales tax. The outside vendor also provides revenue reporting and forecasting services to the Administrative Services Department and Economic Resources Planning. All persons who receive/examine confidential information from the SBOE must be authorized by resolution or letter of designation.

The City's contract with MBIA MuniServices Company/Municipal Resources Consultants for sales tax auditing and reporting services expired on December 31, 2001. The City Auditor's Office, in cooperation with the Administrative Services Department and Economic Resources Planning, issued a Request for Proposal for revenue recovery and reporting services. We have selected the firm of Hinderliter, De Llamas and Associates to provide sales and use tax services on a contingency fee basis beginning April 1, 2002.

The SBOE requires that we provide them with the attached resolution authorizing our new vendor access to confidential SBOE records pertaining to the City of Palo Alto. The earlier authorization of the City Auditor, City Manger, and their designees, granted by Resolution No. 6336, continues to be in effect.

Respectfully submitted,

Sharon W. Erickson

Sharon W. Erickson
City Auditor

Attachment

RESOLUTION NO. _____
RESOLUTION OF THE COUNCIL OF THE CITY OF PALO
ALTO AUTHORIZING THE EXAMINATION OF SALE AND USE
TAX RECORDS

WHEREAS, pursuant to Ordinance No. 2756, the City of Palo Alto ("City") entered into Contract No. 856 entitled "Agreement for State Administration of Local Sales and Use Taxes" with the State Board of Equalization ("Board"), whereby the Board is to perform all functions incident to the administration and collection of local sales and use taxes under the authority of the Bradley-Burns Uniform Local Sales and Use Tax Law, California Revenue and Taxation Code ("Code") Section 7200 et seq., for and on behalf of the City; and

WHEREAS, Section 7056 of the Code sets forth certain requirements and conditions for the disclosure of Board records, and establishes criminal penalties for the unlawful disclosure of information contained in, or derived from, the sales tax records of the Board; and

WHEREAS, Section 7056 of the Code provides that the City, by resolution, must designate those persons who are authorized to examine any and all of the sales and use tax records of the Board pertaining to sales and use taxes collected for and on behalf of the City; and

WHEREAS, pursuant to Resolution No. 6336, the Council of the City ("City Council") appointed the City Auditor and the City Manager, and any designated representative of such officers to represent the City with full authority to investigate and review sales and use tax transactions and collections for the City contained in the records of the Board and such authorization remains in effect; and

WHEREAS, the City has entered into a contract with Hinderliter, DeLamas and Associates ("Consultant") to perform sales and use tax audit services ("Contract"); and the Council wishes to designate Consultant to examine such sales and use tax records maintained by the Board on behalf of the City;

NOW, THEREFORE, the Council of the City of Palo Alto does RESOLVE as follows:

//

//

SECTION 1. In accordance with the scope of sale and use tax audit services to be provided by Consultant, Hinderliter, DeLamas and Associates, is hereby designated as the representative of the City as required by Section 7056 of the Code, and is authorized to examine all of the sales and use tax records of the Board pertaining to sales and use taxes collected by the Board on behalf of the City which are in the City's possession.

SECTION 2. Pursuant to California Revenue and Taxation Code Section 7056 (b), this Council hereby certifies that Consultant meets all of the following conditions:

- (a) Consultant has an existing contract with the City to examine sales tax and use tax records;
- (b) Consultant is required by the Contract to disclose information contained in, or derived from, those sales and use tax records only to an officer or employee of the City who is authorized by this resolution to examine the information;
- (c) Consultant is prohibited by the contract from performing consulting services for a retailer during the term of the Contract; and
- (d) Consultant is prohibited by the Contract from retaining the information contained in, or derived from, those sales and use tax records, after the Contract has expired.

SECTION 3. The designation made by Resolution No. 6336 shall remain in full force and effect.

//

//

//

SECTION 4. The City Council finds that the action hereby approved does not constitute a project under the California Environmental Quality Act.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

APPROVED AS TO FORM:

Senior Asst. City Attorney

Mayor

APPROVED:

City Manager

City Auditor

Director of Administrative
Services